



TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699
Fax (512) 833-6907

Texas Racing Commission
Tuesday, October 14, 2014
10:30 a.m.
John H. Reagan Building, Room JHR 120
105 W. 15th Street
Austin, Texas 78701

AGENDA

I. CALL TO ORDER
Roll Call

II. EXECUTIVE SESSION

The following items may be discussed and considered in executive session or open meeting and have action taken in the open meeting:

- A. Under Government Code Sec. 551.071(1), the Commission may open an executive session to seek the advice of its attorney regarding pending or contemplated litigation, or regarding a settlement offer. The executive session may include, but is not limited to, legal advice regarding Case D-1-GN-14-003700, American Legion Department of Texas Temple Post 133, et al, vs. Texas Racing Commission and Chuck Trout.
- B. Under Government Code Sec. 551.071(2), the Commission may open an executive session to discuss all matters identified in this agenda where the commission seeks the advice of its attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas. This may include, but is not limited to, legal advice regarding the Open Meetings Act, the Administrative Procedures Act, and the Texas Racing Act.
- C. Under Texas Racing Act, Tex. Rev. Civ. Stat. Ann. art. 179e, Sec. 6.03, the Commission may open an executive session to review security plans and management, concession, and totalisator contracts.

III. PUBLIC COMMENT

IV. GENERAL BUSINESS

Discussion and consideration of the following matters:

A. Reports by the Executive Director and Staff regarding Administrative Matters

- 1) Budget and Finance Update
- 2) Report on Wagering Statistics
- 3) Report on Racetrack Inspections
- 4) Enforcement Report

Discussion, consideration and possible action on the following matters:

B. Approval of the Internal Audit Plan for Fiscal Year 2015

C. Approval of Memorandum of Understanding with the Texas Veterinary Medical Diagnostic Laboratory for Fiscal Year 2015

V. PROCEEDINGS ON RULEMAKING

Discussion, consideration and possible action on the following matter:

Rule Adoption

A. Proposal for New Commission Rule 309.13, Temporary License to Conduct Racing

VI. PROCEEDINGS ON RACETRACKS

Discussion, consideration and possible action on the following matters:

A. Request by Saddle Brook Park for Extension of Temporary License

B. Request by Gulf Greyhound Park for Approval of a Change in Ownership of 12%

VII. SCHEDULING OF NEXT COMMISSION MEETING

VIII. ADJOURN

IV. GENERAL BUSINESS

- A. Reports by the Executive Director and Staff regarding Administrative Matters
 - 1) Budget and Finance Update
 - 2) Report on Wagering Statistics
 - 3) Report on Racetrack Inspections
 - 4) Enforcement Report

Texas Racing Commission

FYE 08/31/2014
Operating Budget Status
by LBB Expenditure Object/Codes

OBS-1

Strategy	Program Description	FY 2014 Annual Budget	FY 2014 Expended Thru 8/31/2014	FY 2014 Unexpended Bal 8/31/2014	With 98.0% of Year Lapsed % of Budget Expended
<i>Appropriated</i> A.1.1.	(1.00) FTE's = 4.00 <u>Regulate Racetrack Owners</u>				
Base Appr =	1001 Salaries and Wages	312,134	303,883	8,250	97.36%
\$ 400,839	1002 Other Personnel Cost	8,715	10,586	(1,871)	121.47%
Sup Appr =	2001 Prof Fees and Services	7,500	-	7,500	0.00%
\$ 3,070	2003 Consumables	500	153	347	30.64%
Total Appr =	2004 Utilities	-	-	-	
\$ 403,909	2005 Travel	11,000	10,109	891	91.90%
Budgeted =	2006 Rent Building	-	-	-	
\$ 354,834	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	14,985	3,477	11,509	23.20%
\$ (49,075)	CB Computer Equipment	-	-	-	
-12.24%	Total Strategy A.1.1.	354,834	328,208	26,626	92.50%
<i>Appropriated</i> A.2.1.	0 FTE's = 0 <u>Texas Bred Incentive</u>				
	ATB Money Expended	4,125,000	3,393,579	731,421	82.27%
\$ 4,125,000	Total Strategy A.2.1.	4,125,000	3,393,579	731,421	82.27%
<i>Appropriated</i> A.3.1.	0.10 FTE's = 8.80 <u>Supervise Racing and Licensees</u>				
Base Appr =	1001 Salaries and Wages	538,886	528,358	10,528	98.05%
\$ 596,283	1002 Other Personnel Cost	25,627	32,577	(6,950)	127.12%
Sup Appr =	2001 Prof Fees and Services	7,500	2,283	5,217	30.44%
\$ 5,525	2003 Consumables	-	-	-	-
Total Appr =	2004 Utilities	-	-	-	
\$ 601,808	2005 Travel	30,275	26,903	3,372	88.86%
Budgeted =	2006 Rent Building	-	-	-	
\$ 611,788	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	9,500	2,628	6,872	27.66%
\$ 9,980	CB Computer Equipment	-	-	-	
1.67%	Total Strategy A.3.1.	611,788	592,749	19,039	96.89%
<i>Appropriated</i> A.3.2.	(1.00) FTE's = 3.20 <u>Monitor Occupational Licensee Act.</u>				
Base Appr =	1001 Salaries and Wages	179,197	181,143	(1,945)	101.09%
\$ 270,601	1002 Other Personnel Cost	20,151	13,619	6,532	67.58%
Sup Appr =	2001 Prof Fees and Services	2,500	707	1,793	28.27%
\$ 1,850	2003 Consumables	500	178	322	35.53%
Total Appr =	2004 Utilities	-	-	-	
\$ 272,451	2005 Travel	29,230	26,029	3,201	89.05%
Budgeted =	2006 Rent Building	-	-	-	
\$ 238,328	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	6,750	4,032	2,718	59.73%
\$ (34,123)	CB Computer Equipment	-	-	-	
-12.61%	Total Strategy A.3.2.	238,328	225,706	12,622	94.70%
<i>Appropriated</i> A.4.1.	(0.35) FTE's = 2.35 <u>Inspect and Provide Emerg. Care</u>				
Base Appr =	1001 Salaries and Wages	157,194	115,323	41,871	73.36%
\$ 290,308	1002 Other Personnel Cost	9,995	4,899	5,096	49.01%
Sup Appr =	2001 Prof Fees and Services	87,775	87,030	745	99.15%
\$ 1,446	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 291,754	2005 Travel	7,025	6,947	78	98.89%
Budgeted =	2006 Rent Building	-	-	-	
\$ 271,489	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	9,500	3,819	5,681	40.20%
\$ (20,265)	CB Computer Equipment	-	-	-	
-6.98%	Total Strategy A.4.1.	271,489	218,018	53,471	80.30%

Texas Racing Commission

FYE 08/31/2014

OBS-2

Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Program Description	FY 2014 Annual Budget	FY 2014 Expended Thru 8/31/2014	FY 2014 Unexpended Bal 8/31/2014	With 98.0% of Year Lapsed % of Budget Expended
<i>Appropriated</i> A.4.2.	(0.35) FTE's = 4.35 <u>Administer Drug Testing</u>				
Base Appr =	1001 Salaries and Wages	256,642	271,427	(14,785)	105.76%
\$ 254,753	1002 Other Personnel Cost	13,315	10,690	2,625	80.28%
Sup Appr =	2001 Prof Fees and Services	32,000	16,496	15,504	51.55%
\$ 2,572	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 257,325	2005 Travel	15,100	13,616	1,484	90.17%
Budgeted =	2006 Rent Building	-	-	-	
\$ 325,057	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	8,000	4,183	3,817	52.28%
\$ 67,732	CB Computer Equipment	-	-	-	
26.59%	Total Strategy A.4.2.	325,057	316,411	8,645	97.34%
<i>Appropriated</i> B.1.1.	- FTE's = 7.70 <u>Occupational Licensing</u>				
Base Appr =	1001 Salaries and Wages	297,206	270,976	26,230	91.17%
\$ 562,587	1002 Other Personnel Cost	13,588	18,380	(4,792)	135.26%
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ 4,351	2003 Consumables	3,000	5,123	(2,123)	170.76%
Total Appr =	2004 Utilities	-	-	-	
\$ 566,938	2005 Travel	25,000	10,928	14,072	43.71%
Budgeted =	2006 Rent Building	-	-	-	
\$ 568,302	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	12,000	7,046	4,954	58.71%
\$ 1,364	CB Computer Equipment	217,507	110,334	107,173	50.73%
0.24%	Total Strategy B.1.1.	568,302	422,787	145,515	74.39%
<i>Appropriated</i> B.1.2.	- FTE's = 0 <u>Texas OnLine</u>				
Base Appr =	1001 Salaries and Wages	-	-	-	
\$ 22,500	1002 Other Personnel Cost	-	-	-	
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 22,500	2005 Travel	-	-	-	
Budgeted =	2006 Rent Building	-	-	-	
\$ 22,500	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	22,500	17,839	4,661	79.28%
\$ -	CB Computer Equipment	-	-	-	
0.00%	Total Strategy B.1.2.	22,500	17,839	4,661	79.28%
<i>Appropriated</i> C.1.1.	- FTE's = 5.00 <u>Monitor Wagering and Audit</u>				
Base Appr =	1001 Salaries and Wages	275,039	268,130	6,909	97.49%
\$ 321,110	1002 Other Personnel Cost	11,562	13,265	(1,704)	114.73%
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ 3,114	2003 Consumables	1,000	-	1,000	0.00%
Total Appr =	2004 Utilities	-	-	-	
\$ 324,224	2005 Travel	19,518	11,641	7,877	59.64%
Budgeted =	2006 Rent Building	-	-	-	
\$ 327,618	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	20,500	11,786	8,714	57.49%
\$ 3,395	CB Computer Equipment	-	-	-	
1.06%	Total Strategy C.1.1.	327,618	304,821	22,797	93.04%

Texas Racing Commission

FYE 08/31/2014

OBS-3

Operating Budget Status
by LBB Expenditure Object/Codes

Strategy	Program Description	FY 2014 Annual Budget	FY 2014 Expended Thru 8/31/2014	FY 2014 Unexpended Bal 8/31/2014	With 98.0% of Year Lapsed % of Budget Expended
<i>Appropriated</i> C.1.2.	- FTE's = 3.00 <u>Wagering & Compliance Inspections</u>				
Base Appr =	1001 Salaries and Wages	147,724	124,223	23,501	84.09%
\$ 242,242	1002 Other Personnel Cost	6,816	6,439	377	94.47%
Sup Appr =	2001 Prof Fees and Services	75,000	50,000	25,000	66.67%
\$ 1,560	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 243,802	2005 Travel	10,500	9,427	1,073	89.78%
Budgeted =	2006 Rent Building	-	-	-	
\$ 244,540	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	4,500	2,628	1,872	58.39%
\$ 738	CB Computer Equipment	-	-	-	
0.30%	Total Strategy C.1.2.	244,540	192,717	51,823	78.81%
<i>Appropriated</i> D.1.1.	0.20 FTE's = 7.00 <u>Central Administration</u>				
Base Appr =	1001 Salaries and Wages	401,171	355,092	46,080	88.51%
\$ 730,012	1002 Other Personnel Cost	14,828	18,370	(3,541)	123.88%
Sup Appr =	2001 Prof Fees and Services	15,000	13,826	1,174	92.17%
\$ 3,691	2003 Consumables	19,500	7,990	11,510	40.97%
Total Appr =	2004 Utilities	53,736	45,347	8,389	84.39%
\$ 733,703	2005 Travel	18,000	15,650	2,350	86.94%
Budgeted =	2006 Rent Building	85,279	85,377	(98)	100.11%
\$ 739,333	2007 Rent Machine	2,500	1,340	1,160	53.60%
Difference	2009 Other Operating Cost	117,150	62,687	54,463	53.51%
\$ 5,630	CB Computer Equipment	12,168	6,264	5,904	51.48%
0.77%	Total Strategy D.1.1.	739,333	611,942	127,391	82.77%
<i>Appropriated</i> D.1.2.	- FTE's = 4.80 <u>Information Resources</u>				
Base Appr =	1001 Salaries and Wages	298,580	297,711	869	99.71%
\$ 499,171	1002 Other Personnel Cost	12,951	17,662	(4,711)	136.38%
Sup Appr =	2001 Prof Fees and Services	56,000	45,526	10,474	81.30%
\$ 3,305	2003 Consumables	15,000	3,027	11,974	20.18%
Total Appr =	2004 Utilities	-	1,012	(1,012)	0.00%
\$ 502,476	2005 Travel	4,500	950	3,550	21.11%
Budgeted =	2006 Rent Building	2,700	2,700	-	100.00%
\$ 517,101	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	122,405	129,409	(7,005)	105.72%
\$ 14,625	CB Computer Equipment	4,965	4,965	-	
2.93%	Total Strategy D.1.2.	517,101	502,961	14,139	97.27%
<i>Appropriated</i> D.1.3.	(2.40) FTE's = 50.20 <u>Other Support Services</u>				
Base Appr =	1001 Salaries and Wages	-	-	-	
\$ 8,315,406	1002 Other Personnel Cost	-	-	-	
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ 30,484	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 8,345,890	2005 Travel	-	-	-	
Budgeted =	2006 Rent Building	-	-	-	
\$ 8,345,890	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	-	-	-	
\$ (0)	CB Computer Equipment	-	-	-	
0.00%	Total Strategy D.1.3.	-	-	-	
\$ 4,220,890	Regulatory Program Operating Budget	4,220,890	3,734,160	408,978	88.47%
\$ 4,125,000	TX Bred Program Operating Budget	4,125,000	3,393,579	731,421	82.27%
\$ 8,345,890	Total M.O.F. (TXRC Acct. 597 & GR)	8,345,890	7,127,739	1,140,400	85.40%
	Total All Programs Operating Budget				

Texas Racing Commission

FYE 08/31/2014
Operating Budget Status
by LBB Expenditure Object/Codes

OBS-4

Strategy	Program Description	FY 2014 Annual Budget	FY 2014 Expended Thru 8/31/2014	FY 2014 Unexpended Bal 8/31/2014	With 98.0% of Year Lapsed % of Budget Expended
\$ -	(2.40) FTE's = 50.20				
<i>Appropriated</i>	<u>Direct Expense of Regulatory Programs</u>				
	1001 Salaries and Wages	2,863,773	2,716,265	147,508	94.85%
	1002 Other Personnel Cost	137,549	146,487	(8,938)	106.50%
	2001 Prof Fees and Services	283,275	215,867	67,408	76.20%
	2003 Consumables	39,500	16,470	23,030	41.70%
	2004 Utilities	53,736	46,360	7,376	86.27%
	2005 Travel	170,148	132,200	37,948	77.70%
	2006 Rent Building	87,979	88,077	(98)	100.11%
	2007 Rent Machine	14,500	8,386	6,114	57.83%
	2009 Other Operating Cost	553,297	352,820	200,477	63.77%
	CB Computer Equipment	17,133	11,229	5,904	65.54%
\$ 4,220,890	Total Direct Expense of Regulatory Program	4,220,890	3,734,160	486,729	88.47%
\$ 4,125,000	FTE's = - Direct Expense of TX Bred Program	4,125,000	3,393,579	731,421	82.27%
\$ 8,345,890	(2.40) FTE's = 50.20 Total Direct Expense of All Programs	8,345,890	7,127,739	1,218,151	85.40%
\$ -	<i>Un-Appropriated</i>				
	<u>Indirect Expense of All Programs</u>				
	OASI Match	219,079	207,515	11,564	94.72%
	Group Insurance	269,149	285,024	(15,875)	105.90%
	State Retirement	164,360	183,042	(18,683)	111.37%
	Benefit Replacement	16,022	12,151	3,871	75.84%
	ERS Retiree Insurance	220,000	237,959	(17,959)	108.16%
	SWCAP GR Reimburse	30,000	26,044	3,956	86.81%
	Unemployment Cost	20,000	5,245	14,755	26.23%
	Other	-	-	-	
\$ 938,610	Total Indirect Expense of All Programs	938,610	956,981	(18,371)	101.96%
\$ 9,284,500	Total Direct and Indirect Expense of All Programs	9,284,500	8,084,720	1,199,780	87.08%

Source Of Funds	Agency Method Of Finance	FY 2014 Projected Revenue	FY 2014 Actual Revenue Thru 8/31/2014	N/A	With 98.0% of Year Lapsed % of Revenue Collected
	Regulatory Program MOF:				
Acct. 597	Cash Balance Carry Forward	\$ 750,000	\$ 750,000		n/a
Acct. 597	Live Race Day Fees	\$ -	\$ -		
Acct. 597	Simulcast Race Day Fees	\$ -	\$ -		
Acct. 597	Annual License Fees (Active & Inactive)	\$ 4,203,475	\$ 4,203,472		100.00%
Acct. 597	Outs	\$ -	\$ -		
Acct. 597	Occupational License Fees and Fines	\$ 725,000	\$ 744,866		102.74%
Acct. 597	Other Revenue	\$ 25,000	\$ 33,188		132.75%
Acct. 1	GR Funds	\$ -	\$ -		
	Sub-Total Regulatory Prgm. MOF	\$ 5,703,475	\$ 5,731,525		100.49%
	Texas Bred Program MOF:				
Acct. 597	Cash Balance Carry Forward	\$ -	\$ -		
Acct. 597	Breakage and 1% Exotic	\$ 4,125,000	\$ 3,393,579		82.27%
Acct. 597	Other	\$ -	\$ -		
	Sub-Total Texas Bred Prgm. MOF	\$ 4,125,000	\$ 3,393,579		82.27%
All Sources	Total MOF	\$ 9,828,475	\$ 9,125,104		92.84%
	MOF Estimated to Exceed or (Fall-Short of Covering) Direct & Indirect Expenses of Operating Budget	\$ 543,975	\$ 1,040,384		



**Fiscal Year 2014
Operational Budget**

Updated: September 10, 2014
Thru: August 31, 2014

Summary of Operating Revenue

By Revenue Type:					Uncollected	
	Budget	Collected	Suspended	Balance	%	
Account 597 - Racing Commission - GRD	\$ 9,828,475	\$ 9,125,104	\$ 25,000	\$ 703,371	7%	
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -		
TOTAL - ALL REVENUES	\$ 9,828,475	\$ 9,125,104	\$ 25,000	\$ 703,371	7%	

Summary of Appropriated Operating Expenses

					Unexpended	
	Budget	Expended	Encumbered	Balance	%	
1001 - Salaries and Wages:	\$ 2,863,773	\$ 2,716,265	\$ -	\$ 147,508	5%	
1002 - Other Personnel Cost:	\$ 137,549	\$ 146,487	\$ -	\$ (8,938)	-6%	
2001 - Professional Fees and Services:	\$ 283,275	\$ 215,867	\$ -	\$ 67,408	24%	
2003 - Consumable Supplies:	\$ 39,500	\$ 16,470	\$ -	\$ 23,030	58%	
2004 - Utilities:	\$ 53,736	\$ 46,360	\$ -	\$ 7,376	14%	
2005 - Travel:	\$ 170,148	\$ 132,200	\$ -	\$ 37,948	22%	
2006 - Rent Building:	\$ 87,979	\$ 88,077	\$ -	\$ (98)	0%	
2007 - Rent Machine and Other:	\$ 14,500	\$ 8,386	\$ -	\$ 6,114	42%	
2009 - Other Operating Expense:	\$ 553,297	\$ 352,820	\$ -	\$ 200,477	36%	
4000 - Grants	\$ 4,125,000	\$ 3,393,579	\$ -	\$ 731,421	18%	
5000 - Capital Expenditures:	\$ 17,133	\$ 11,229	\$ -	\$ 5,904	34%	
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 8,345,890	\$ 7,127,739	\$ -	\$ 1,218,151	15%	

Unappropriated Operating Expenses

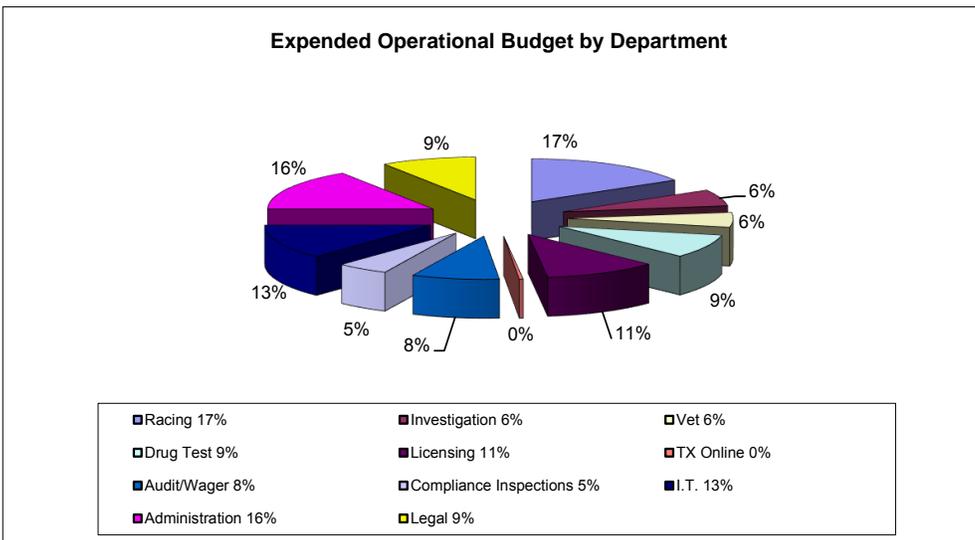
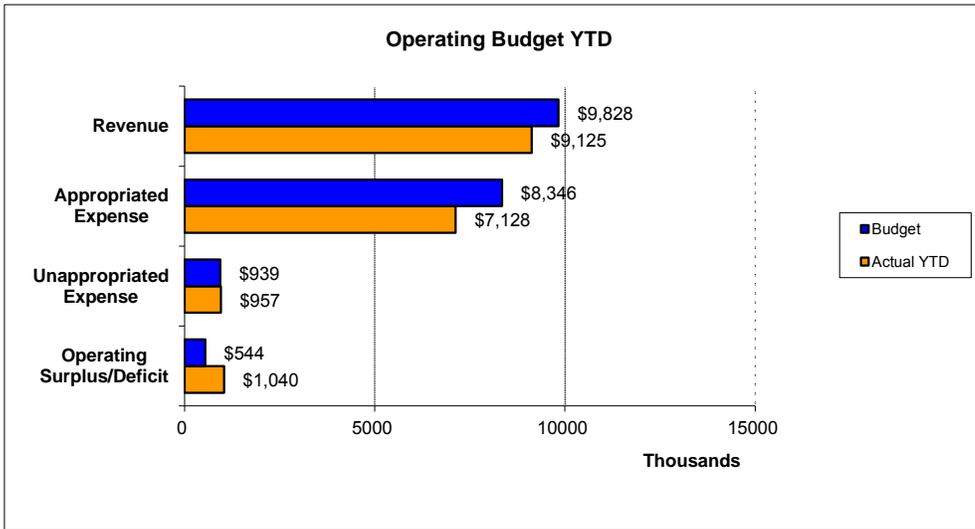
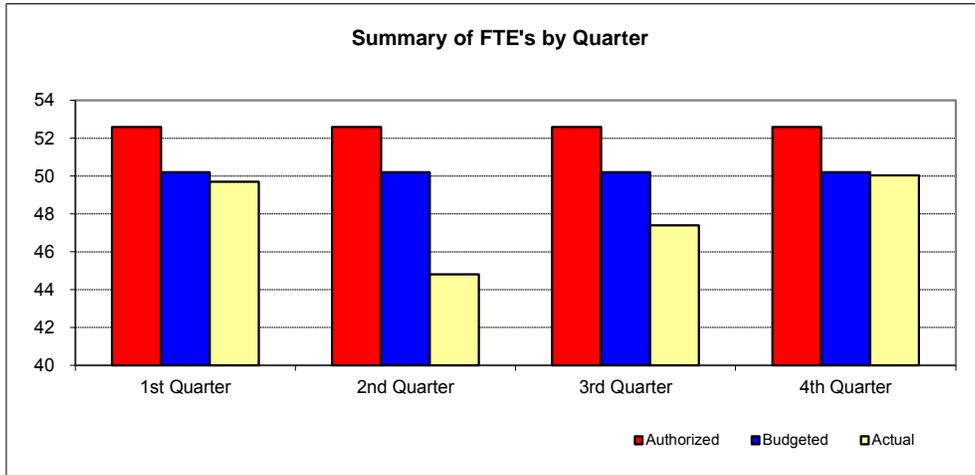
Type:					Unexpended	
	Budget	Expended	Encumbered	Balance	%	
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 938,610	\$ 956,981	\$ -	\$ (18,371)	-2%	
TOTAL - ALL EXPENDITURES	\$ 9,284,500	\$ 8,084,720	\$ -	\$ 1,199,780	13%	

OPERATING SURPLUS / (DEFICIT)

\$ 543,975 \$ 1,040,384

Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	52.60	52.60	52.60	52.60
Budgeted FTE's	50.20	50.20	50.20	50.20
Actual FTE's	49.70	44.80	47.40	50.04
Actual FTE's Over / (Under) Budget	(0.50)	(5.40)	(2.80)	(0.16)
Actual FTE's Over / (Under) Authorization	(2.90)	(7.80)	(5.20)	(2.56)

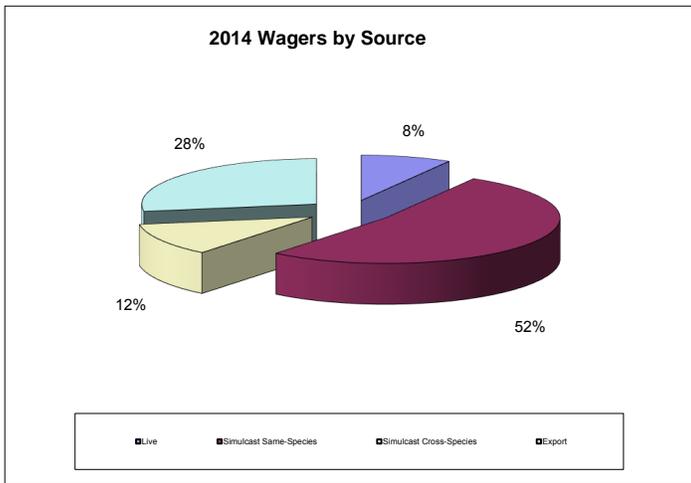
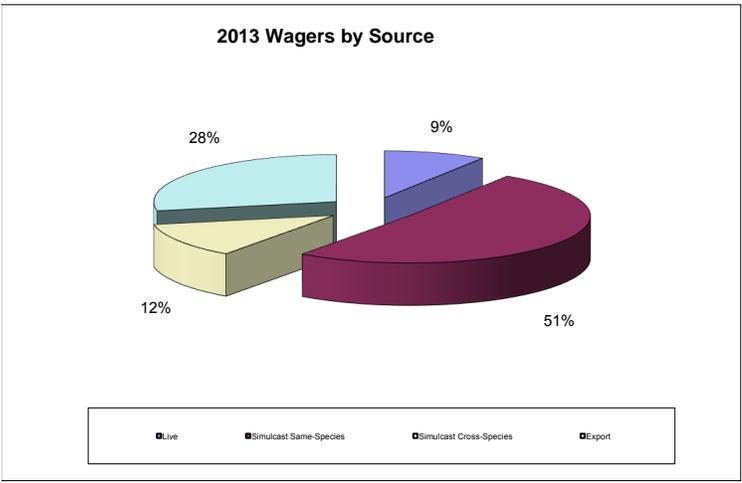




**Texas Pari-Mutuel Racetracks Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/13 - 10/05/13 to 01/01/14 - 10/05/14

Sources of Wagers		Year 2013 01/01 - 10/05		Year 2014 01/01 - 10/05		Percentage Change In		
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers
Greyhound Racetracks								
Live	224	6,827,453	\$ 30,480	185	5,650,107	\$ 30,541	-17.24%	0.20%
Simulcast Same-Species	716	20,842,573	\$ 29,110	719	21,921,452	\$ 30,489	5.18%	4.74%
Simulcast Cross-Species	716	17,619,394	\$ 24,608	719	16,874,418	\$ 23,469	-4.23%	-4.63%
Export	224	<u>10,070,731</u>	<u>\$ 44,959</u>	185	<u>8,463,413</u>	<u>\$ 45,748</u>	<u>-15.96%</u>	<u>1.76%</u>
Total Wagers		55,360,150	N/A		52,909,389	N/A	-4.43%	N/A
Horse Racetracks								
Live	148	24,739,606	\$ 167,159	152	24,574,844	\$ 161,677	-0.67%	-3.28%
Simulcast Same-Species	1,194	157,086,380	\$ 131,563	1,204	166,884,678	\$ 138,609	6.24%	5.36%
Simulcast Cross-Species	1,149	24,101,328	\$ 20,976	1,204	24,994,670	\$ 20,760	3.71%	-1.03%
Export	140	<u>88,117,013</u>	<u>\$ 629,407</u>	144	<u>90,896,182</u>	<u>\$ 631,223</u>	<u>3.15%</u>	<u>0.29%</u>
Total Wagers		294,044,327	N/A		307,350,373	N/A	4.53%	N/A
All Texas Racetracks								
Live	372	31,567,059	\$ 84,858	337	30,224,951	\$ 89,688	-4.25%	5.69%
Simulcast Same-Species	1,910	177,928,953	\$ 93,157	1,923	188,806,130	\$ 98,183	6.11%	5.40%
Simulcast Cross-Species	1,865	41,720,722	\$ 22,370	1,923	41,869,088	\$ 21,773	0.36%	-2.67%
Export	364	<u>98,187,744</u>	<u>\$ 269,747</u>	329	<u>99,359,594</u>	<u>\$ 302,005</u>	<u>1.19%</u>	<u>11.96%</u>
Total Wagers		349,404,477	N/A		360,259,763	N/A	3.11%	N/A
Total Wagers Placed in Texas		251,216,734	N/A		260,900,168	N/A	3.85%	N/A
Total Wagers Placed on Texas Races		129,754,803	N/A		129,584,545	N/A	-0.13%	N/A





**Greyhound Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/13 - 10/05/13 to 01/01/14 - 10/05/14

Sources of Wagers	Year 2013 01/01 - 10/05				Year 2014 01/01/ -10/05				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager		
<u>Gulf Coast Racing</u>										
Live	0	0 \$	-	0	0 \$	-	N/A	N/A		
Simulcast Same-Species	200	6,033,456	\$ 30,167	203	6,328,151	\$ 31,173	4.88%	3.33%		
Simulcast Cross-Species	200	3,673,969	\$ 18,370	203	3,291,520	\$ 16,214	-10.41%	-11.73%		
Export	0	0 \$	-	0	0 \$	-	N/A	N/A		
Total Wagers		9,707,425	N/A		9,619,671	N/A	-0.90%	N/A		

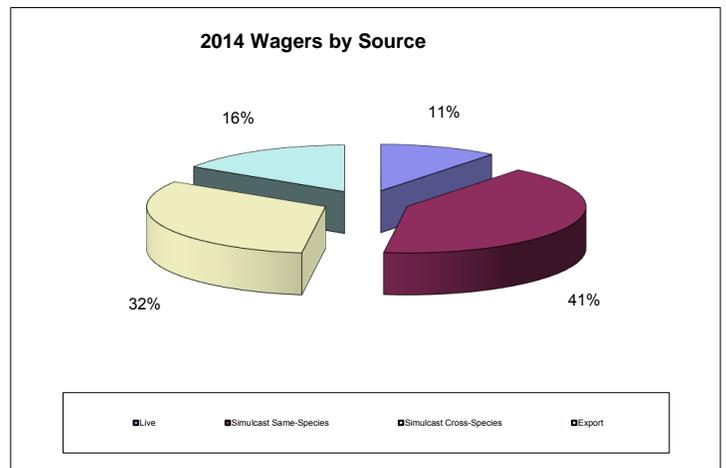
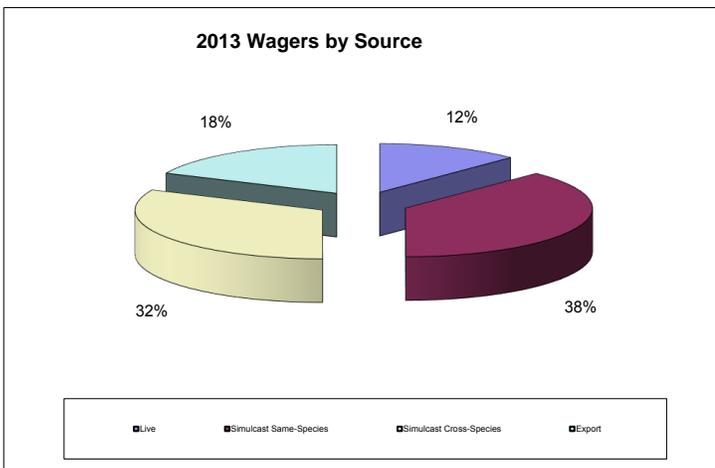
Sources of Wagers										
<u>Gulf Greyhound Park</u>										
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	224	6,827,453	\$ 30,480	185	5,650,107	\$ 30,541	-17.24%	0.20%		
Simulcast Same-Species	278	9,334,880	\$ 33,579	277	9,577,167	\$ 34,575	2.60%	2.97%		
Simulcast Cross-Species	278	8,562,783	\$ 30,801	277	8,282,784	\$ 29,902	-3.27%	-2.92%		
Export	224	10,070,731	\$ 44,959	185	8,463,413	\$ 45,748	-15.96%	1.76%		
Total Wagers		34,795,847	N/A		31,973,471	N/A	-8.11%	N/A		

Sources of Wagers										
<u>Valley Race Park</u>										
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	0	0 \$	-	0	0 \$	-	N/A	N/A		
Simulcast Same-Species	238	5,474,237	\$ 23,001	239	6,016,133	\$ 25,172	9.90%	9.44%		
Simulcast Cross-Species	238	5,382,642	\$ 22,616	239	5,300,114	\$ 22,176	-1.53%	-1.95%		
Export	0	0 \$	-	0	0 \$	-	N/A	N/A		
Total Wagers		10,856,879	N/A		11,316,248	N/A	4.23%	N/A		

Sources of Wagers										
<u>All Greyhound Racetracks</u>										
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	224	6,827,453	\$ 30,480	185	5,650,107	\$ 30,541	-17.24%	0.20%		
Simulcast Same-Species	716	20,842,573	\$ 29,110	719	21,921,452	\$ 30,489	5.18%	4.74%		
Simulcast Cross-Species	716	17,619,394	\$ 24,608	719	16,874,418	\$ 23,469	-4.23%	-4.63%		
Export	224	10,070,731	\$ 44,959	185	8,463,413	\$ 45,748	-15.96%	1.76%		
Total Wagers		55,360,150	N/A		52,909,389	N/A	-4.43%	N/A		

Total Wagers Placed in Texas	45,289,419	N/A	44,445,977	N/A	-1.86%	N/A
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Total Wagers Placed on Texas Races	16,898,184	N/A	14,113,520	N/A	-16.48%	N/A
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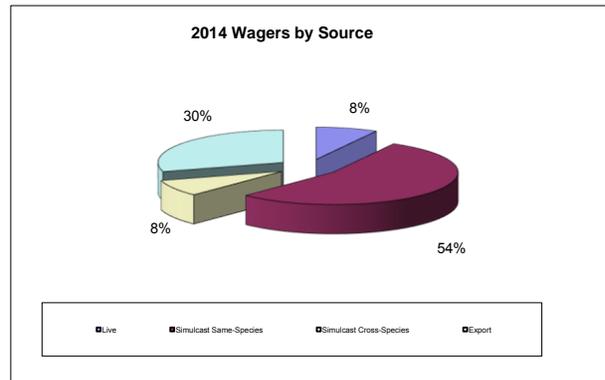
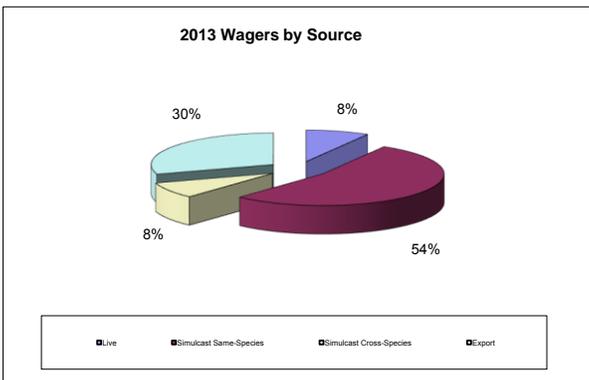


Horse Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed

in Texas & on Texas Races

For the Period: 01/01/13 - 10/05/13 to 01/01/14 -10/05/14

Sources of Wagers	Year 2013 01/01 - 10/05				Year 2014 01/01 -10/05				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager		
Gillespie County Fair										
Live	8	1,299,531	\$ 162,441	8	1,324,453	\$ 165,557	1.92%	1.92%		
Simulcast Same-Species	160	2,540,409	\$ 15,878	160	2,437,740	\$ 15,236	-4.04%	-4.04%		
Simulcast Cross-Species	160	302,886	\$ 1,893	160	368,772	\$ 2,305	21.75%	21.75%		
Export	0	0	\$ -	0	0	\$ -	N/A	N/A		
Total Wagers		4,142,826	N/A		4,130,965	N/A	-0.29%	N/A		
Lone Star Park										
Live	61	14,664,524	\$ 240,402	58	14,560,226	\$ 251,038	-0.71%	4.42%		
Simulcast Same-Species	278	73,036,584	\$ 262,722	278	79,230,850	\$ 285,003	8.48%	8.48%		
Simulcast Cross-Species	278	4,472,371	\$ 16,088	278	5,347,436	\$ 19,235	19.57%	19.57%		
Export	61	37,277,259	\$ 611,103	58	33,476,405	\$ 577,179	-10.20%	-5.55%		
Total Wagers	52	129,450,737	N/A		132,614,917	N/A	2.44%	N/A		
Retama Park										
Live	22	2,583,233	\$ 117,420	30	2,839,414	\$ 94,647	9.92%	-19.39%		
Simulcast Same-Species	278	30,684,762	\$ 110,377	278	29,874,654	\$ 107,463	-2.64%	-2.64%		
Simulcast Cross-Species	278	5,345,905	\$ 19,230	278	5,424,351	\$ 19,512	1.47%	1.47%		
Export	22	4,490,800	\$ 204,127	30	8,984,407	\$ 299,480	100.06%	46.71%		
Total Wagers		43,104,699	N/A		47,122,827	N/A	9.32%	N/A		
Saddle Brook Park										
Live	0	0	\$ -	0	0	\$ -				
Simulcast Same-Species	200	3,355,274	\$ 16,776	210	3,668,343	\$ 17,468	9.33%	4.12%		
Simulcast Cross-Species	155	139,484	\$ 900	210	440,612	\$ 2,098	215.89%	133.16%		
Export	0	0	\$ -	0	0	\$ -	N/A	N/A		
Total Wagers		3,494,758	N/A		4,108,955	N/A	100.00%	N/A		
Sam Houston Race Park										
Live	57	6,192,318	\$ 108,637	56	5,850,750	\$ 104,478	-5.52%	-3.83%		
Simulcast Same-Species	278	47,469,352	\$ 170,753	278	51,673,092	\$ 185,874	8.86%	8.86%		
Simulcast Cross-Species	278	13,840,683	\$ 49,787	278	13,413,499	\$ 48,250	-3.09%	-3.09%		
Export	57	46,348,955	\$ 813,140	56	48,435,369	\$ 864,917	4.50%	6.37%		
Total Wagers		113,851,307	N/A		119,372,710	N/A	4.85%	N/A		
All Horse Racetracks										
Live	148	24,739,606	\$ 167,159	152	24,574,844	\$ 161,677	-0.67%	-3.28%		
Simulcast Same-Species	1,194	157,086,380	\$ 131,563	1,204	166,884,678	\$ 138,609	6.24%	5.36%		
Simulcast Cross-Species	1,149	24,101,328	\$ 20,976	1,204	24,994,670	\$ 20,760	3.71%	-1.03%		
Export	140	88,117,013	\$ 629,407	144	90,896,182	\$ 631,223	3.15%	0.29%		
Total Wagers		294,044,327	N/A		307,350,373	N/A	4.53%	N/A		
Total Wagers Placed in Texas		205,927,314	N/A		216,454,192	N/A	5.11%	N/A		
Total Wagers Placed on Texas Races		112,856,619	N/A		115,471,025	N/A	N/A	N/A		



Texas Racing Commission

Report on Racetrack Inspection Activities

October 14, 2014

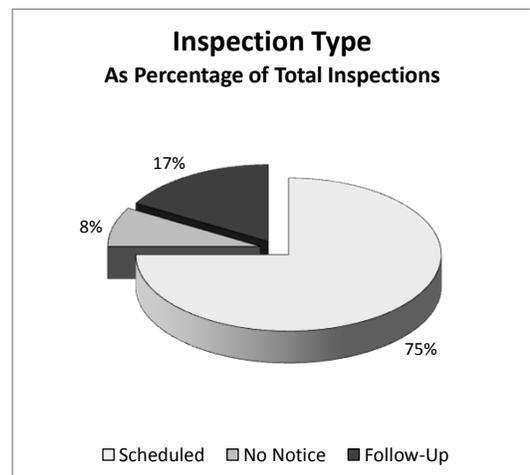
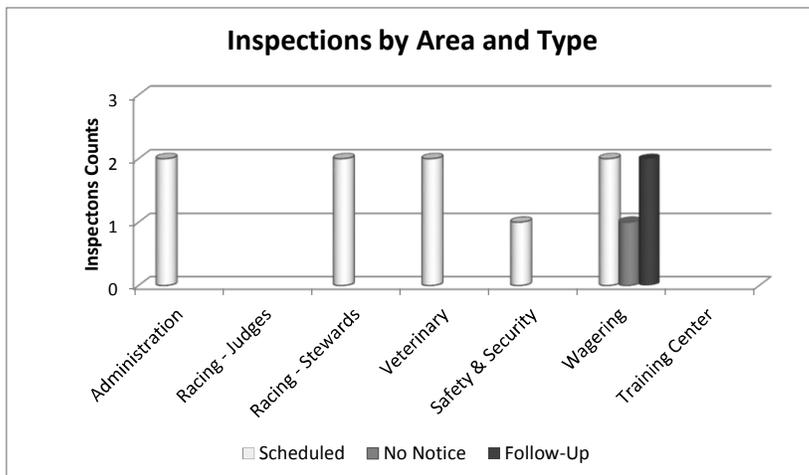
Summary of Inspections Performed For The Period of August 1, 2014 through September 30, 2014					
Track	Area of Inspection	Date of Inspection	Number of Unsatisfactory Items	Track Remediation	Remaining Unsatisfactory Items
Lone Star Park	Wagering	9/12/2014	0		
	Administrative	9/12/2014	1		*1
	Racing	9/7/2014	0		
	Veterinary	9/11/2014	0		
	Security	9/17/2014	0		
Retama Park	Veterinary	8/7/2014	0		
	Administrative	8/29/2014	1		*1
	Wagering	8/29/2014	0		
	Racing	9/23/2014	0		
Gulf Greyhound Park	Wagering	8/26/2014	(Follow-up from 7/31/14)	4	0
Valley Race Park	Racing	9/18/2014	(Follow-up from 7/18/14)	1	0
Saddle Brook J/C	Wagering	8/8/2014	0		

*ATM Machine provides cash from credit card - bank vendor working to correct

Inspection Counts by Area and Type				
Area of Inspection	Scheduled	No Notice	Follow-Up	Totals
Administration	2			2
Racing - Judges				
Racing - Stewards	2			2
Veterinary	2			2
Safety & Security	1			1
Wagering	2	1	2	5
Training Center				
TOTAL INSPECTIONS	9	1	2	12

Important Notes Regarding Inspections at Racetracks:

- 1) Scheduled inspections typically occur before the beginning of each race meet. No Notice inspections typically are planned to occur during the middle of a meet, but may occur at any time.
- 2) Follow-Up inspections are performed when a Scheduled or No Notice inspection identifies an unsatisfactory item. The Follow-Up inspection is performed after the association has had an opportunity to remedy any unsatisfactory item initially reported.



**Texas Racing Commission
Enforcement Report
Selected Regulatory Statistics
January 1, 2014 – September 30, 2014**

	GREYHOUND	HORSE	NOTES
# of Live Race Performances/Days	181	147	
# of Live Races	2,423	1,431	
# of Animals Inspected	18,590	11,892	
# of Samples	2,358 ¹	2,887 ¹	
# of Animal Drug Positives	0	70 ²	6 Class 1; 3 Class 2, 18 Class 3, 5 Class 4, 7 Class 5 and 31 overages of a permitted medication, phenylbutazone
% of Samples Testing Positive	-	2.4	
# of Simulcast Days	704	1,180	
# of Simulcast Races	211,627	360,817	
# of Import and Export Requests	324	1,234	
# of New Licenses Issued	1,892		
# of Licenses Renewed	3,764		
# of Gate, Barn, and Kennel Searches	92		
# of Administrative Investigations	116		
# of Rulings	19	184	
# of Rulings with Suspensions	2	60	
# of Rulings with Revocations	0	0	
# of Rulings with Purse Redistributions	0	26	
# of Rulings with Fines	17	145	
Total Fines Assessed	\$1,125	\$91,600	

CLASSIFICATION OF DRUG POSITIVES: Drugs are classified by their effect on the animals. Class 1 is the most serious for greyhounds and horses. The least serious violations are class 6 for greyhounds and class 5 for horses.

¹Number of reported positives may increase as some samples are pending.

²Three samples contained multiple drugs

B. Approval of the Internal Audit Plan for Fiscal Year 2015

**Internal Audit Plan
Fiscal Year 2015
Texas Racing Commission**

 **MONDAY N. RUFUS, P.C.**
Certified Public Accountants and Consultants

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

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TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

MONDAY N. RUFUS, P.C.
Certified Public Accountants & Consultants

Member: American Institute of Certified Public Accountants

August 27, 2014

Commissioners of the
Texas Racing Commission
Austin, Texas

Dear Commissioners:

As required by the Internal Auditing Act (Texas Government Code, Section 2102.008), we have prepared the audit plan for Fiscal Year 2015.

We prepared a risk assessment to determine the areas in the Texas Racing Commission that should be considered for audit. Based on that risk assessment, our audit plan for Fiscal Year 2015 is shown below:

- | | |
|--|------------|
| • Drug Testing | 125 |
| • Follow-up on prior year's audit recommendations:
<i>Internal Audit of Payroll and Personnel Processes</i>
(Report Date: November 16, 2011) | <u>50</u> |
| Total Hours | 175 |

Your approval of the audit plan is required.

Sincerely,



Monday N. Rufus, MBA, CISA, CPA
Audit Director
Monday N. Rufus, P.C., CPAs

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

I. Purpose

The Purpose of this internal audit plan is to document the development, risk assessment, scope of assignments, and implementation timetable for fiscal year 2015 internal audit activities. This document will serve as a primary tool to carry out internal audit responsibilities in an efficient manner and prioritize the audit areas based on risk assessments agreed to by the Commissioners of the Texas Racing Commission (Agency). Due to the nature, scope and timing of audit procedures contemplated here, planning for specific aspects of the audits is a continuing process. Accordingly, the plan will be revised as necessary and reviewed at least annually.

This plan has been prepared to meet planning guidelines as required by both generally accepted auditing standards and the standards for the Professional Practice of Internal Auditing as determined by the Institute of Internal Auditors, Inc.

II. Background Information

The Texas Racing Commission regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. Statute and rule require the Commission to:

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator systems (complex computer systems that tally and calculate pari-mutuel wagers), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-Bred Incentive Program, which provides economic incentives to support a health and vigorous breeding industry in the state.

The Racing Act allows pari-mutuel wagering on horse and greyhound racing and provides for the strict regulation and control of pari-mutuel wagering in connection with that racing.

Principal responsibilities of the Commission are to:

1. Adopt rules and regulations for conducting racing involving wagering;
2. Administer and enforce all laws, rules, and regulations affecting horse racing, greyhound racing, and pari-mutuel wagering;
3. Adjudicate disciplinary matters arising from the enforcement of those laws and regulations dealing with horse racing and greyhound racing and pari-mutuel wagering; and
4. Regulate and supervise each racing meeting conducted in the state of Texas, the operations of racetracks, and the participants in a race meeting.

TEXAS RACING COMMISSION

Internal Audit Plan – Fiscal Year 2015

Extensive rulemaking authority is granted to the Commission throughout the Racing Act. The rulemaking authority vested in the Texas Racing Commission is authorized for administration and enforcement purposes.

The Racing Commission consists of seven members appointed by the governor with the advice and consent of the Senate to serve overlapping six year terms. Five members must represent the general public and have general knowledge of business or agribusiness. At least one of those appointed members may be a veterinarian, and being licensed as a veterinarian satisfies the requirement that the person have general knowledge of business or agribusiness. One member must have special knowledge or experience related to horse racing and one member must have special knowledge or experience related to greyhound racing. In addition to the appointed members, there are two ex-officio members, the Chair of the Public Safety Commission and the Comptroller of Public Accounts. The Governor appoints the chair and the members elect the vice-chair.

The Commission appoints an Executive Director to supervise the agency's daily activities as a whole and manages the agency's two divisions and its information team. The Agency's operating budget is prepared and approved by the Commission on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The 82nd Legislature, Regular Session, passed House Bill 2271 which altered the Commission's method of finance eliminating outstanding uncashed winning tickets as a source of revenue. The Commission is now self-funded from fees assessed to racetracks and occupational licenses from the entities it regulates and is typically appropriated only General Revenue – Dedicated funds. Approximately 50% of the expenditures are passed through the Agency to the official breed registries for the Texas Bred Incentive Programs. Funds collected by the Agency are directly utilized for operations, and not passed on to the State.

The agency's structure consists of two divisions and an Executive group. The Executive group is headed by the Executive Director; a Racing Oversight Division is directed by a Deputy Director for Racing Oversight; and a Finance and Wagering Division is directed by a Deputy Director for Finance and Wagering Review.

A. Executive Group

- i. **Executive Director** - The Executive Director supervises agency activities as a whole and manages the agency's two divisions and its information technology team. The Executive Director oversees development of agency operating policies and procedures and ensures that the agency's regulatory responsibilities are carried out. The Executive Director represents the agency before the Legislature and other governmental agencies and serves a primary role in external relations with industry stakeholders, regulators in other states, and a national regulatory association.

The Executive Director, with the assistance of the General Counsel's staff oversees coordination of the evaluation of racetrack license applications, the race date allocation process, and assesses administrative penalties against

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

racetrack licensees. The Executive Director's office is also responsible for other administrative functions including responding to public information and media requests.

- ii. **General Counsel** – The General Counsel advises the Commissioners and staff on legal and regulatory enforcement issues affecting the agency. The General Counsel coordinates all aspects of Commission meetings and rulemaking proceedings and also represents the agency before the State Office of Administrative Hearings when prosecuting appeals from decisions made by the Board of Stewards/Judges and disciplinary cases initiated by the Executive Director.

- iii. **Department of Information Technology (IT)**
The IT division develops and maintains the agency's network, database and Web site. This division recommends and supports all hardware and software necessary for the day-to-day activities of the Commission. The Commission's custom programs and database operate twenty-four hours a day, seven days a week, providing staff, licensees, the Department of Public Safety (DPS), the Texas A&M Veterinary Medical Diagnostic Laboratory and the general public with up-to-date information regarding all aspects of the Commission's regulatory programs.

B. Divisional Information

The Agency's staff is organized into two operating divisions which have specific duties and responsibilities in carrying out the overall mission of the Agency. The two operating divisions are the Racing Oversight Division and the Finance and Wagering Division.

- i. **Racing Oversight Division** – This division is focused on enforcement and oversight of day-to-day racetrack operations. The members of this division make up the agency's presence at Texas tracks. The Deputy Director supervises personnel directly responsible for regulating the conduct of live racing and is responsible for the following teams: Licensing, Investigations, Stewards/Judges, and Veterinarians/Drug Testing.
 - **Licensing**

Staff in licensing issue occupational licenses to all people in positions that afford the person an opportunity to influence pari-mutuel wagering and to those who will likely have significant access to the restricted areas of a racetrack. Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all appropriate participants are licensed and in good standing.

TEXAS RACING COMMISSION

Internal Audit Plan – Fiscal Year 2015

To ensure that that all participants in racing are properly licensed, the Commission has more than fifty categories of occupational licenses. Stable and kennel area occupations – jockeys, owners, kennel owners, trainers and grooms – must secure licenses, as must racetrack employees.

- Investigations

The investigators, who must be licensed peace officers, coordinate enforcement of the Commission’s Rules and the Texas Racing Act.

Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and must seek professional help.

- Stewards/Judges

The division includes stewards at horse tracks and judges at greyhound tracks. The judges and stewards monitor the conduct of live races and enforce the Racing Act and the Commission’s Rules of Racing. The stewards and judges have broad authority to resolve matters arising during a race meeting. They may redistribute purses, issue fines up to \$5,000 and suspend licensees for up to one year.

- Veterinarians / Drug Testing

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks.

Employees in this division inspect all race animals before a competition to ensure they are sound to compete, inspect the stable and kennel areas for animal health and safety issues, and implement the Commission’s race animal drug testing program.

The Chief Veterinarian also serves as a liaison between the Commission and veterinary-related organizations and agencies, such as the Texas Animal Health Commission, the American

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

Association of Equine Practitioners, and the Texas Veterinary
Medical Association.

- ii. **Finance and Wagering Division** – This division is focused on protecting the interests of the wagering public and industry participants by assuring the proper collection and distribution of funds in accordance with the Racing act, providing reliable information on wagering, and responding to public inquiries about wagering. The division is responsible for agency finance and administrative functions to include budget, accounting, purchasing, personnel, human resources, travel coordination and related administrative functions.

The Deputy Director supervises the agency’s pari-mutuel and compliance auditors and staff dedicated to accounting, purchasing, and human resources.

- **Pari-mutuel Auditors**

The pari-mutuel auditors protect the interest of the wagering public and industry participants by assuring the proper collection and distribution of funds in accordance with the Act and providing reliable information on wagering. The auditors review, verify and report all live and simulcast wagering activity at the racetracks to ensure the public is paid the correct amount on each winning wager. On-site pari-mutuel auditors perform daily audits and verifications of handle, earned purse, paid purse, outs balances, deposit reports and requests for simulcast approval in compliance with the Interstate Horse Racing Act (IHA). The audit staff ensure the daily collection of the escrowed horse purse funds earned from interstate cross-species wagers placed at greyhound racetracks and the allocation of these funds to the various horse racetracks based on Commission-approved formulas.

- **Compliance Auditor**

The compliance auditor deals primarily with issues related to the Texas-bred Incentive Program and computer testing. The Texas Racing Act provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhound and horses to encourage agriculture and the horse and greyhound breeding industries. The agency collects this money and then allocates it to the various recognized breed registries based on formulas approved by the Commission. This program accounts for approximately 50 percent of the agency’s appropriation. The compliance auditor works to ensure that funds are collected and allocated appropriately.

The compliance auditor also tests the totalisator (tote) systems that racetracks use to process pari-mutuel wagers. The hardware, software, and related peripheral devices are all subject to testing and ongoing monitoring.

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

- Administration and Finance

Staff members prepare the biennial Legislative Appropriations Request (LAR), the operating budget, the annual financial report, reports on performance measures, and other administrative reports. Staff members in this area are responsible for the agency’s purchasing, personnel, human resources and travel coordination activities.

C. The Agency’s General Appropriations Act authority for fiscal year 2015 is as follows:

	<u>2015</u>
License and Regulate Racetracks	\$400,839
Texas Bred Incentive Program	4,125,000
Supervise & Conduct Live Races	591,228
Monitor Occupational License Activities	271,136
Inspect & Provide Emergency Care	292,515
Administer Drug Tests	248,903
Occupational Licensing Program	562,587
TEXASONLINE	22,500
Monitor Wagering and Audit	321,110
Wagering Compliance Inspections	242,242
Central Administration	730,012
Information Resources	507,335
Supplemental Appropriation	635,637
Total	\$ 8,951,044

III. Internal Audit Plan Methodology

This section summarizes the methodology used in preparing the fiscal year 2015 internal audit plan. In order to understand the Agency and develop our risk assessment process, we reviewed the Agency’s:

- Enabling Legislation
- Strategic plan

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

- Legislative appropriations request/operating budget
- Prior internal audit reports
- Reports from the State Auditor’s Office
- Sunset Commission Report
- Other documents available to us

In planning internal audit procedures, financial, operational, as well as compliance issues are considered in determining processes/systems of interest. Functional areas that cross many divisions and the interaction between divisions are key criteria in the process of identifying areas of interest. Agency financial reports, planning documents, laws, rules, and regulations, in addition to soliciting input from management and commission members, were all considered in developing the list of areas of interest. Upon completion of this list, each area was subjected to our risk analysis process.

The following Agency processes/systems have been considered during the development of the areas of interest list:

- Cash receipts and fee processing
- Cash disbursements and Payroll
- Personnel Processes
- Reporting – Key Performance Measures
- Budgeting and Reporting
- Licensing application and registrations
- Complaints/Investigation process
- Pari-mutuel Auditing Process
- EDP Wagering Reviews/Audits
- Business Continuity/Disaster Recovery
- Information Systems - Security
- Information Technology System Development
- Drug testing
- Inspection Program
- Racing Administration
- Texas Bred Incentive Program – Associations
- Texas Bred Incentive Program – Policies and Procedures
- Equine Research
- Historically Underutilized Businesses (HUB)
- Fixed Asset Management

There are numerous other areas that may be identified during the process of performing internal audit procedures during the year. Continuing input from both the Commissioners and management will be essential in identifying additional or new areas of risk that should be considered in the future.

Our risk assessment was performed through the consideration of various factors, including:

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

1. Exposure Level (Adverse impact of errors within the process/unit)
2. Complexity of unit (Volatility of activities)
3. Materiality (Financial and Non Financial Impact)
4. Results of last audit (Positive, Some Findings, Negative)
5. Extent of other coverage or oversight (More coverage, Some coverage, No coverage)
6. Quality of internal controls/adherence to laws (Excellent, Good, & Poor controls)
7. Changes in systems and processes (More changes, Some changes, No changes)
8. Normal audit interval (Audited in last 1 year, 2-4 years, >4 years or Never)

All of the above factors were considered in assessing risk and were taken into consideration for each process/system as to their impact on the Agency. Once each area of interest was evaluated, it was assigned a risk factor of high, moderate or low. The following is the result of our risk assessment process.

Processes Identified as High Overall Risk

Drug Testing
Reporting – Key Performance Measures
Texas Bred Incentive Program – Associations

Processes Identified as Moderate Overall Risk

Licensing Applications and Registrations
Information Systems – Security
Business Continuity/Disaster Recovery
Inspection Program
Racing Administration
Budgeting and Reporting
Texas Bred Program – TxRC's Policies and Procedures
Cash Disbursements and Payroll
Pari-mutuel Auditing Process
Personnel Processes
EDP Wagering Reviews/Audits
Cash Receipts and Fee Processing
Complaints/Investigation Process
Information Technology System Development

Processes Identified as Low Overall Risk

Equine Research
Historically Underutilized Businesses (HUB)
Fixed Asset Management

TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

IV. Internal Audit Plan

The internal audit plan is designed to provide a review of all areas considered risky. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. Also, special reviews might be added in the future as requested by the Commissioners or when deemed necessary by the internal audit function after performance of in-depth review of the specific divisions/systems and approval by the Commission.

Internal audit activities will be primarily concerned with documenting, testing and evaluating each division or system's internal control policies and procedures and the quality of performance in carrying them out. This will include reporting conditions and suggestions to management and evaluating management's response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal activities will be communicated to management and the Commissioners as part of the reporting process.

Internal Audit reviews for the fiscal year ending 2015 are planned for the following processes/systems:

Fiscal Year 2015

Drug Testing

- **Follow-up on prior year's audit recommendations:**
Internal Audit of Payroll and Personnel Processes
(Report Date: November 16, 2011)

This audit will take place from December 2014 through August 2015 with final reporting occurring in September 2015. The above plan does not preclude the internal audit function from identifying and assessing risk relating to new divisions or systems added to the Agency.

These processes/systems were identified for review through risk assessment methodology. As discussed above, this methodology included personnel inquiries, identifying financial and non-financial risk, identifying interaction of divisions amongst each other, identifying rules and regulations various divisions must comply with and identifying the volume of transactions and personnel involved with each division.

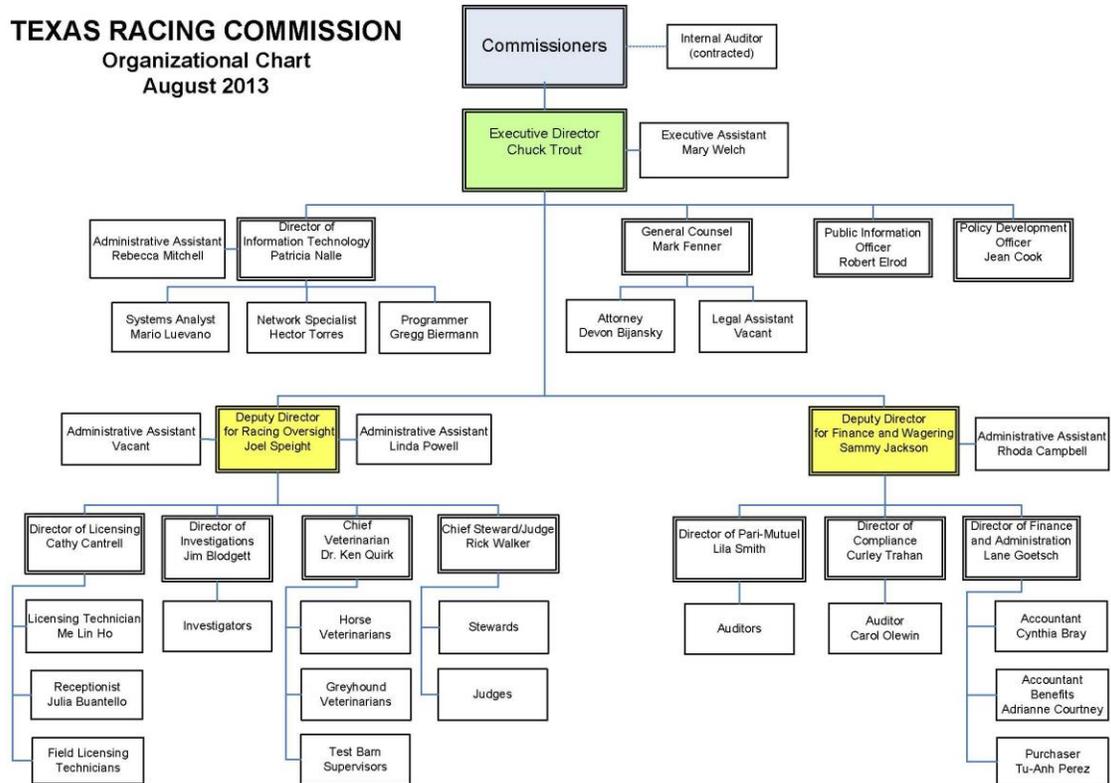
V. Reporting

In compliance with the Texas Internal Auditing Act, the annual internal audit report will be filed with the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor, the Commissioners of the Agency, and the Agency's Executive Director by November 1, 2015. The annual internal audit report will be in the form specified by the State Auditor.

TEXAS RACING COMMISSION

Internal Audit Plan – Fiscal Year 2015

Appendix A: Organizational Chart



TEXAS RACING COMMISSION
Internal Audit Plan – Fiscal Year 2015

Appendix B: Risk Assessment

High = 38 and up
Med = 30-37
Low = less than 30

	<u>Weighed Risk</u>
Drug Testing	41
Reporting – Key Performance Measures	39
Texas Bred Incentive Program – Associations	39
Licensing Applications and Registrations	37
Information Systems – Security	37
Business Continuity/Disaster Recovery	37
Inspection Program	37
Racing Administration	37
Budgeting and Reporting	36
Texas Bred Program – TxRC’s Policies and Procedures	36
Cash Disbursements and Payroll	35
Pari-mutuel Auditing Process	34
Personnel Processes	34
EDP Wagering Reviews/Audits	33
Cash Receipts and Fee Processing	32
Complaints/Investigation Process	31
Information Technology System Development	30
Equine Research	28
Historically Underutilized Businesses (HUB)	25
Fixed Asset Management	25

C. Approval of Memorandum of Understanding
with the Texas Veterinary Medical Diagnostic
Laboratory for Fiscal Year 2015

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TEXAS RACING COMMISSION
AND
THE TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY**

Pursuant to Texas Racing Act (Art. 179e, V.T.C.S) Sec. 3.07(d), the Drug Testing Laboratory of the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) is to provide drug testing services on race animals for the Texas Racing Commission (TxRC). TxRC and TVMDL enter into this Memorandum of Understanding to delineate the responsibilities of the Parties in administering TxRC's drug testing program for race animals.

**I.
DEFINITIONS**

Association – A pari-mutuel racetrack licensed by TxRC under the Act to conduct horse or greyhound racing with pari-mutuel wagering.

ELISA- Enzyme-linked immunosorbent assay ("immunoassay")

Equine sample – Blood and/or urine from the same horse collected during the same approximate time-frame (either pre-race or post-race)

Executive Director - the Executive Director for the TxRC or a designee of the Executive Director

GC/MS – Gas Chromatography-Mass Spectrometry

LC/MS - Liquid Chromatography-Mass Spectrometry

**II.
LABORATORY COVENANTS**

TVMDL agrees to:

1. Provide sufficient security to control access to the TVMDL Drug Testing Lab and to ensure only authorized persons handle samples or gain access to TVMDL processes or to areas where records and samples are stored.
2. Provide, with approval of the Executive Director of the TxRC, all supplies for the collection and shipment of samples, including sample jars, blood tubes, seals, labels, vacutainer sleeves, collection needles, and shipping containers. TVMDL will bill the actual cost of supplies to the association the supplies are shipped to. On request by the TxRC, TVMDL shall provide documentation regarding the cost of supplies. TVMDL shall obtain approval from the Executive Director of the TxRC before changing supplies.
3. Inspect each shipment of samples on arrival at TVMDL for evidence of possible tampering. Any evidence of tampering shall be noted and reported to the Executive Director, TxRC in writing.

4. Use chain-of-custody procedures to maintain control and accountability of samples at all stages, from receipt to final disposition.
5. Provide secured and appropriate storage conditions for samples while under custody at TVMDL.
6. Maintain and follow approved Standard Operating Procedures within the oversight of the TVMDL Quality Management System.
7. Provide testing for the presence of prohibited substances and controlled therapeutic medications on equine urine samples as follows:
 - a. An average of at least thirty-five ELISA screening tests on each equine urine sample, with an emphasis on drugs classified as Category I or II by the TxRC Equine Medication Classification. The tests will be selected from a rotating menu of at least fifty different immunoassays. Performance of immunoassays is contingent on the availability of approved/industry-recognized tests. If the tests are not available or become unavailable, immunoassays mutually acceptable to TxRC and TVMDL will be substituted. Note: All screening of urine samples will eventually be transitioned to instrument (LC/MS and GC/MS). Once this transition occurs, ELISA screening will be discontinued.
 - b. Furosemide ELISA screening tests on each equine urine sample to ensure compliance with TxRC's Bleeders and Furosemide Program. Evidence of non-compliance will be reported to the TxRC. Note: Furosemide screening in urine will eventually be transitioned to instrument (LC/MS). Once this transition occurs, ELISA screening will be discontinued.
 - c. Analyses for contemporary performance-enhancing (presumed or actual) drugs of notoriety by appropriate methods (LC/MS or GC/MS) as requested by TxRC.
 - d. Each sample with the presence of a controlled therapeutic medication, as published by TxRC, that exceeds the corresponding maximum permissible concentration shall be reported as positive and the quantitative level of the medication shall be reported to the TxRC.
8. Provide testing for the presence of prohibited substances and controlled therapeutic medications on equine blood samples:
 - a. Furosemide analysis by LC/MS for the sample from each horse that received furosemide treatment and which has a urine specific gravity of 1.012 or less. Report as positive for each sample in which the concentration of furosemide exceeded 100 ng/mL and a urine specific gravity of less than 1.010. Report as a letter of notification for each sample in which the concentration of furosemide exceeded 100 ng/mL of furosemide and a urine specific gravity of 1.010-1.012 or no urine sample was submitted for testing. Report as a letter of notification for each sample in which the horse received furosemide treatment but furosemide was not detected in the sample. Report as a letter of notification for each sample in which the horse did not receive furosemide treatment but furosemide was detected in the sample.

- b. Test for total carbon dioxide on samples of equine blood as requested by the TxRC. Each sample exceeding the maximum permissible level as published by TxRC, shall be reported as positive to TxRC (to include reporting its quantitative level). Alternatively, TVMDL may recommend another laboratory to conduct testing for total carbon dioxide.
 - c. Instrumental analysis, either LC/MS or GC/MS, on each equine blood sample.
 - d. Analyses for contemporary performance-enhancing (presumed or actual) drugs of notoriety by appropriate methods (LC/MS or GC/MS) as requested by TxRC.
 - e. Each sample with the presence of a controlled therapeutic medication, as published by TxRC, that exceeds the corresponding maximum permissible concentration shall be reported as positive and the quantitative level of the medication shall be reported to the TxRC.
9. Provide testing for the presence of prohibited substance(s) on canine urine samples:
- a. An average of at least ten ELISA screening tests on each canine urine sample, with an emphasis on drugs classified as Category I or II by the TxRC Greyhound Medication Classification. Performance of immunoassays is contingent on the availability of approved/industry-recognized tests. If the tests are not available or become unavailable, immunoassays mutually acceptable to TxRC and TVMDL will be substituted. Note: All screening of urine samples will eventually be transitioned to instrument (LC/MS and GC/MS). Once this transition occurs, ELISA screening will be discontinued.
 - b. Instrumental analysis, LC/MS or GC/MS, on no less than 40% of the canine urine samples until all screening is transitioned to instrumental analysis.
10. Perform confirmatory analysis on samples, whether equine or canine, blood or urine, when a suspicious finding is identified from screening. At least one definitive analytical technique should be employed for the confirmatory analysis (e.g., mass spectrometry).
11. Perform tests as required by the Thoroughbred Owners and Breeders Association for substances in samples from horses that participated in graded stakes races and listed stakes races at the \$75,000 purse level or above.
12. Expedite tests as requested for Quarter Horse trials with a goal of reporting test results to TxRC within seven calendar days of receiving samples.
13. Blood samples labeled as "Vet Work" will be screened by LC/MS for Non-steroidal anti-inflammatory drugs (NSAIDs) or other drugs as requested. Results for Vet Work samples will be reported by Letter of Notification to the Director of Investigations within 120 hours of receipt.
14. Biological samples other than blood and urine (e.g. ocular fluid) will be screened by LC/MS or GC/MS. Turn-around times will be dependent upon the extent of confirmatory testing in the event a sample is deemed suspect from initial screening,

but will not exceed ten business days. These samples will be reported by Letter of Notification to the Director of Investigations.

15. With prior approval, perform other testing as requested, utilizing the most effective or appropriate technology or platform.
16. All tested samples shall be stored in secured and appropriate conditions before either disposal of or releasing to a third party (for various purposes). Minimum retention period for a negative sample is 3 days after reporting. Minimum retention period for a positive sample is 1 year after reporting or until all legal proceedings concerning the sample are concluded (whichever is longer).
17. Report negative result(s) to TxRC within 120 hours from sample receipt, if possible, by the method required by the Executive Director. Report positive result(s) to TxRC within three weeks of sample receipt. On request by the Executive Director, TVMDL shall make available to TxRC a copy of the analytical results of any test conducted pursuant to this Memorandum of Understanding.
18. Provide qualified professional personnel to testify in an administrative hearing or other legal proceeding involving a test performed pursuant to this Memorandum of Understanding and participate in and assist with pretrial matters in those proceedings, such as interrogatories and depositions.
19. Notify the TxRC in writing at least 30 days before implementing any change in analytical procedures which in consequence alters the detection sensitivity for any substance classified as Category III, IV, or V in the TxRC Equine Medication Classification.
20. Participate in industry-recognized quality assurance programs.
21. Refrain from disclosing any information relating to a sample to any person other than one designated by TxRC to receive the information.
22. Maintain qualified staff with no financial interest in racehorses, racing greyhounds, or an association or any other conflict of interest within the racing industry. All laboratory personnel must be employees of the Texas A&M Veterinary Medical Diagnostic Laboratory, a member of the Texas A&M University System, and at all times be subject to the rules and policies of the A&M System, as promulgated by the Board of Regents of the A&M System or the TVMDL Director.
23. Consent to background investigation through the TxRC conducted by the Texas Department of Public Safety, including fingerprinting, of all TVMDL staff involved in drug testing.
24. Allow access by TxRC to all records of TVMDL that pertain to drug testing services performed pursuant to this Memorandum of Understanding.
25. Make reasonable efforts to collect payment from each association and notify the Executive Director of any charges that are unpaid 30 days after invoicing.
26. Notify the Executive Director, within 30 days of receipt, of all findings and recommendations made by the State Auditor, an internal auditor of the Texas A&M University System, or another auditor acting on behalf of or under contract with

TVMDL or the Texas A&M University System regarding operations of the Drug Testing Laboratory of TVMDL, as they relate to this Memorandum of Understanding.

**III.
COMMISSION COVENANTS**

TxRC agrees to:

1. Supervise the sample collection site at each association to ensure the site has the necessary personnel, supplies, equipment, facilities, and supervision to provide for the identification of animals and humans and to collect, identify, secure, store, and ship each sample to TVMDL.
2. Submit approximately 3,750 equine samples (urine and/or blood) and approximately 3,650 canine urine samples per year. TxRC will make every effort to sample for testing in the frequency of approximately 2.0 equine samples per horse race and 0.9 canine samples per greyhound race. If the number of racing performances changes during the calendar year, the number of specimens may be adjusted accordingly, and the TxRC Executive Director will notify the TVMDL Director as soon as practicable.
3. Require each association to deliver all samples to TVMDL in a secure manner, at the association's expense, in accordance with a delivery schedule approved by TVMDL.
4. Apprise and update TVMDL of all drugs on the permitted list and all changes in medication rules, practices, or procedures in a timely manner.
5. Participate in and fund an industry-recognized quality assurance program.
6. No later than 90 days before the anticipated opening of a racing facility, TxRC shall notify TVMDL in writing of the anticipated race dates for the facility and anticipated number of samples.
7. Employ enforcement measures necessary to ensure that the costs incurred by TVMDL for drug testing services pursuant to this Memorandum of Understanding are promptly paid by each association.

**IV.
COST OF SERVICES**

Except as otherwise provided by this paragraph, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$160.00 for equine samples (for tests conducted pursuant to Article II, Sections 7 a, b, & d; 8 a, c, & e; 10 and 12; blood and urine if co-received from the same animal is considered a single sample) and \$38.00 for canine samples (pursuant to Article II, Sections 9 and 10). For tests conducted pursuant to Article II, Section 8b, TVMDL agrees to charge and TxRC approves a per-sample charge of \$28.50, unless TVMDL recommends a different laboratory to conduct the testing for total carbon dioxide, in which case the charge shall be separately determined. For tests conducted pursuant to Article II, Sections 7c and 8d, TVMDL agrees to charge and TxRC approves a per-sample charge of \$13.50 (where an existing methodology exists) and a mutually agreed upon test development costs and

subsequent per-sample charge (where a methodology must be developed). For tests conducted pursuant to Article II, Section 11, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$444.00. For tests conducted pursuant to Article II, Section 13, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$48.00. For tests conducted pursuant to Article II, Section 14, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$55.00. For tests conducted pursuant to Article II, Section 15, TVMDL and TxRC will mutually agree on the per-sample charge depending on the methodology and platform employed for testing.

Pursuant to the Act, Sec. 3.07, the associations are responsible for payment of these charges.

**V.
EXECUTION**

The Parties agree to use due diligence in the exercise of their responsibilities as outlined in this Memorandum of Understanding. The term of this Memorandum of Understanding is from the date of Commission approval through August 31, 2015. To ensure the continuity of the drug testing program in pari-mutuel racing, all terms of this Memorandum of Understanding continue in effect until a new Memorandum of Understanding is executed. If either Party determines that events have changed and significantly affected a material term of the Memorandum of Understanding, including but not limited to, the closing of a race track, or a significant increase in the cost of drug testing or testing supplies, the Parties may renegotiate the terms of this Memorandum of Understanding.

For the faithful performance of this agreement, this agreement is executed by the undersigned persons in their capacities described below. This agreement takes effect on the date of approval by the Commissioners of the Texas Racing Commission.

TEXAS RACING COMMISSION

TEXAS A&M VETERINARY MEDICAL
DIAGNOSTIC LABORATORY

Chuck Trout
Executive Director

Bruce L. Akey, MS DVM
Interim Director

Approved as to form:

Mark Fenner
TxRC General Counsel

- V. PROCEEDINGS ON RULEMAKING
 - A. Proposal for New Commission Rule 309.13,
Temporary License to Conduct Racing



CANTEY HANGER LLP

ATTORNEYS

BRIAN C. NEWBY
DIRECT: 817.877.2825
EMAIL: bnewby@canteyhanger.com

CANTEY HANGER PLAZA
600 W. 6TH STREET, SUITE 300
FORT WORTH, TEXAS 76102-3685
817.877.2800 – METRO 214.978.4199
FAX: 817.877.2807

August 28, 2014

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Drive, suite 110
Austin, Texas 78754-4552

Re: Revised Proposed Rule 309.13

Dear Mr. Trout,

My client, Saddle Brook Park, LLC, requests the Commission consider this revision to proposed Rule 309.13 Temporary License to Conduct Racing. Following publication of our May 13, 2014 original proposed rule in the Texas Register, and receipt of public comment, Saddle Brook Park, LLC believes that the following revised proposed rule is in the best interest of the horse racing industry and the citizens of our state. Saddle Brook Park, LLC respectfully requests that the following revised proposed Rule 309.13 be placed on the Commission's agenda at the first available date after your August 29, 2014 meeting.

309.13. Temporary License to Conduct Racing.

(a) Issuance of Temporary License. Upon written application by an association, the Commission may issue the association a temporary license to conduct racing at a location other than the designated location if:

- (1) the association currently holds a valid racing license from the Commission;
- (2) the association has not completed construction of its facilities at its designated location;
- (3) the temporary location is located within the same county as the designated location;

- (4) the conduct of racing at the temporary location complies with all zoning laws;
- (5) the association owes no outstanding debts to the Commission for fees or bonds;
- (6) the Commission has granted future live race dates to the association; and
- (7) the Commission finds that issuing the temporary license is in the public interest.

(b) Form of Written Application. An association's written application for a temporary license shall include:

- (1) a description of the association's existing facilities at its designated location;
- (2) a description and site map of the proposed temporary location;
- (3) plans or schematic drawings of the proposed temporary facilities, including parking and any proposed improvements;
- (4) a management and business plan describing the association's strategy for funding and completing construction of its permanent facility within two years;
- (5) financial statements reflecting the assets and liabilities of the association;
- (6) a map and inventory reflecting the current residential, commercial, industrial, religious and government uses for all property within one-half mile of the proposed temporary location;
- (7) resumes and required background disclosure forms for all key management personnel; and
- (8) any other information required by the Commission.

(c) Expiration of Temporary License. Except as provided in subsection (d) of this section, a temporary license expires two years after the date of issuance of the temporary license to the association or on the completion of the permanent facility, whichever occurs first.

(d) Extension of Temporary License. Before the expiration of a temporary license, the Commission may grant an association a one – time two-year extension of the temporary license. To request an extension, the association must submit a request in writing that includes a detailed management and business plan describing the

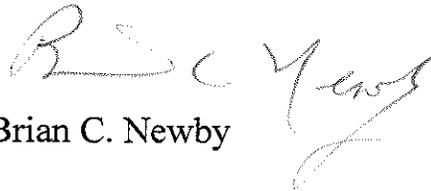
Mr. Chuck Trout
Executive Director
Texas Racing Commission
August 28, 2014
Page 3 of 3

association's strategy for funding and completing construction of its permanent facility within the period of the extension.. Any such request filed prior to January 1, 2015, must be submitted no later than thirty (30) days before the expiration of the temporary license. Any such request filed on or after January 1, 2015, must be filed no later than one hundred eighty (180) days prior to the expiration of the temporary license. The timely filing of a request shall extend the temporary license until the Commission acts at a regularly scheduled meeting to be held within the following four months. If the Commission approves an extension of the temporary license, the association shall make a progress report to the Commission after one year of the extension.

(e) Bond. The Commission may condition the issuance of a temporary license under subsection (a) of this section or the extension of a temporary license under subsection (b) of this section upon the association's submission of a bond under 309.51(e) of this chapter (relating to Designation of Active and Inactive Racetrack Licenses).

If you or your staff have any questions regarding this revised proposed request, please do not hesitate to call.

Sincerely,



Brian C. Newby

cc: ***Via Email Transmittal***
Joel Speight
Mark Fenner
Lynn Alexander
Corey Johnsen
Jeff Hooper

CHAPTER 309. RACETRACK LICENSES AND OPERATIONS

SUBCHAPTER A. RACETRACK LICENSES

DIVISION 1. GENERAL PROVISIONS

(Note: Highlighted areas show changes from the proposal as published in the Texas Register. These changes have been requested by the petitioner, Saddle Brook Park.)

1 **309.13. Temporary License to Conduct Racing.**

2 (a) Issuance of Temporary License. Upon written application by
3 an association, the Commission may issue the association a
4 temporary license to conduct racing at a location other than the
5 designated location if:

6 (1) the association currently holds a valid racing license
7 from the Commission;

8 (2) the association has not completed construction of its
9 facilities at its designated location;

10 (3) the temporary location is located within the same
11 county as the designated location;

12 (4) the conduct of racing at the temporary location
13 complies with all zoning laws;

14 (5) the association owes no outstanding debts to the
15 Commission for fees or bonds;

16 (6) the Commission has granted future live race dates to
17 the association; and

18 (7) the Commission finds that issuing the temporary
19 license is in the public interest.

20 (b) Form of Written Application. An association's written
21 application for a temporary license shall include:

22 (1) a description of the association's existing facilities
23 at its designated location;

24 (2) a description and site map of the proposed temporary
25 location;

26 (3) plans or schematic drawings of the proposed temporary
27 facilities, including parking and any proposed improvements;

CHAPTER 309. RACETRACK LICENSES AND OPERATIONS

SUBCHAPTER A. RACETRACK LICENSES

DIVISION 1. GENERAL PROVISIONS

1 (4) a management and business plan describing the
2 association's strategy for funding and completing construction
3 of its permanent facility within two years;

4 (5) financial statements reflecting the assets and
5 liabilities of the association;

6 (6) a map and inventory reflecting the current residential,
7 commercial, industrial, religious and government uses for all
8 property within one-half mile of the proposed temporary
9 location;

10 (7) resumes and required background disclosure forms for
11 all key management personnel; and

12 (8) any other information required by the Commission.

13 (c) Expiration of Temporary License. Except as provided in
14 subsection (d) of this section, a temporary license expires two
15 years after the date of issuance of the temporary license to the
16 association or on the completion of the permanent facility,
17 whichever occurs first.

18 (d) Extension of Temporary License. Before the expiration of a
19 temporary license, the Commission may grant an association a
20 one-time two-year extension of the temporary license. To request
21 an extension, the association must submit a request in writing
22 that includes a detailed management and business plan describing
23 the association's strategy for funding and completing
24 construction of its permanent facility within the period of the
25 extension. Any such request filed prior to January 1, 2015,
26 must be submitted no later than thirty (30) days before the
27 expiration of the temporary license. Any such request filed on
28 or after January 1, 2015, must be filed no later than one
29 hundred eighty (180) days prior to the expiration of the
30 temporary license. The timely filing of a request shall extend

CHAPTER 309. RACETRACK LICENSES AND OPERATIONS

SUBCHAPTER A. RACETRACK LICENSES

DIVISION 1. GENERAL PROVISIONS

1 the temporary license until the Commission acts at a regularly
2 scheduled meeting to be held within the following four months.
3 to either extend or refuse to extend the temporary license. If
4 the Commission approves an extension of the temporary license,
5 the association shall make a progress report to the Commission
6 after one year of the extension.

7 (e) Bond. The Commission may condition the issuance of a
8 temporary license under subsection (a) of this section or the
9 extension of a temporary license under subsection (b) of this
10 section upon the association's submission of a bond under
11 §309.51(e) of this chapter (relating to Designation of Active
12 and Inactive Racetrack Licenses).

VI. PROCEEDINGS ON RACETRACKS
A. Request by Saddle Brook Park for Extension
of Temporary License



CANTEY HANGER LLP

A T T O R N E Y S

BRIAN C. NEWBY
DIRECT: 817.877.2825
EMAIL: bnewby@canteyhanger.com

CANTEY HANGER PLAZA
600 W. 6TH STREET, SUITE 300
FORT WORTH, TEXAS 76102-3685
817.877.2800 – METRO 214.978.4199
FAX: 817.877.2807

September 15, 2014

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Drive, suite 110
Austin, Texas 78754-4552

Re: *Extension of Temporary License*

Dear Mr. Trout,

Saddle Brook Park, LLC wishes to file this application with the Commission, requesting approval of the extension of its temporary license under Proposed Rule 309.13(d). Saddle Brook Park understands the acceptance of this application is contingent upon passage of Proposed Rule 309.13 prior to the expiration of its temporary license. We are pleased to provide as Exhibit “A”, letters of support for Proposed Rule 309.13 from Senator Kel Seliger, the City of Amarillo, The Texas Thoroughbred Association, and the Texas Quarter Horse Association.

On July 16, 2012, Saddle Brook filed an application with the Commission requesting approval of a temporary license to conduct simulcasting at a temporary location under § 6.15 of the TEXAS RACING ACT. Saddle Brook complied with all statutory requirements to authorize the commission to issue the license and the Commission approved the license to be effective as of October 15, 2012. The original application for a temporary license is attached hereto as Exhibit “B”, and incorporated herein for all purposes.

The management and business plan of Saddle Brook’s temporary facility, contained in Exhibit “B” has been successfully implemented, expanded and is in current operation. Saddle Brook will build off its current management and business plan as it develops and operates its live racing facility.

The management and business plan for the construction of a permanent racing facility (Saddle Brook Park) is attached hereto as Exhibit “C”. The designated permanent facility will be on 100 acres of a larger 286.114 acre tract of undeveloped land that is owned by Saddle Brook president, Drew Alexander and is located South of Interstate 40, at the Intersection of 34th Street and Arnot Road in Randall County, Texas. The remaining 186 acres are being offered for sale and development compatible to Saddle Brook Park.

Mr. Chuck Trout
Executive Director
Texas Racing Commission
September 15, 2014
Page 2 of 2

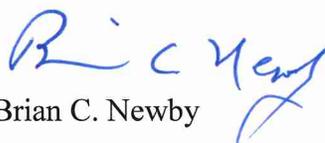
A schematic site plan and site plan details are contained Exhibit "C" indicating a location of parking, stable area, racing office, race track, saddling/paddock area, and clubhouse. The entire project will be designed, constructed and managed by industry leaders.

Saddle Brook has an ambitious, but obtainable timeline to live racing. Utilizing the ongoing revenue stream from simulcasting in its temporary location, Saddle Brook anticipates that it will have a viable project to secure financing for construction of the live race track by October 2015. Site plans, architectural drawings and permitting are expected to be completed by February 2016. Between March 2016 and August 2016, Saddle Brook anticipates that it will complete construction of utilities, the clubhouse, paddock, parking lots, and a stable area. Live racing will be conducted in October 2016 at the new Saddle Brook Park. Our application for race dates for October 2016 will be submitted prior to the October 3, 2014 deadline.

Saddle Brook appreciates the professional consideration provided by the Commission and looks forward to continued success in its simulcast operations at its temporary location, leading to the beginning of live racing at Saddle Brook Park.

If you have any additional questions in regards to this application, please do not hesitate to call at your convenience.

Sincerely,



Brian C. Newby

BCN:eg
Attachments

cc: ***Via Email Transmittal***
Joel Speight
Mark Fenner
Lynn Alexander
Corey Johnsen
Jeff Hooper

EXHIBIT “A”



SENATOR KEL SELIGER

CAPITOL OFFICE:
P.O. Box 12068
AUSTIN, TEXAS 78711
(512) 463-0131
FAX: (512) 475-3733
DIAL 711 FOR RELAY CALLS

*The Senate of
The State of Texas*

DISTRICT 31

DISTRICT OFFICES:
410 S. TAYLOR
SUITE 1600
AMARILLO, TEXAS 79101
(806) 374-8994
FAX: (806) 374-4607

401 AUSTIN
SUITE 101
BIG SPRING, TEXAS 79720
(432) 268-9909
FAX: (432) 268-9899

6 DESTA DRIVE
SUITE 3360
MIDLAND, TEXAS 79705
(432) 620-0436
FAX: (432) 686-7748

4840 E. UNIVERSITY
SUITE 205
ODESSA, TEXAS 79762
(432) 550-7476
FAX: (432) 367-0034

August 26, 2014

Chuck Trout
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, TX 78754

Dear Mr. Trout:

I am writing to support an extension of Saddle Brook Jockey Club's unexpired temporary license to operate a pre-opening simulcast facility.

During the 83rd Legislative Session I authored Senate Bill 1340, which would have increased the operating period on a temporary license from two to six years, and would have allowed TRC the ability to offer an additional four year extension to unexpired licensees. This bill was in no way intended to expand gambling in the state of Texas; rather, it was addressing a fundamental challenge of new business. An off-track betting facility requires a substantial investment in construction and technology, and two years is not enough time to amortize the investment in most service or entertainment businesses.

Thank you for your consideration. Please do not hesitate to contact me if I can be of further assistance.

Sincerely

A handwritten signature in black ink that reads "Kel Seliger". The signature is written in a cursive, flowing style.

Kel Seliger



CITY OF AMARILLO

LEGAL DEPARTMENT

September 2, 2014

Mr. Chuck Trout, Executive Director
Texas Racing Commission
P.O. Box 12080
Austin TX 78711-2080

**RE: Expanded permit for off-track gambling
16 TAC §309.13 (new); Tex. Regs. Vol. 39, pg.
4878 (6/26/14)**

Dear Sir:

The City of Amarillo sent a letter dated August 24 stating several comments and concerns regarding the referenced proposed rule amendment at your agency.

Since that date, the City has had discussions with attorney Brian Newby who, as we understand it, represents the primary proponent(s) of the proposed rule change. For purposes of seeking a better balance of competing concerns, Mr. Newby asked me to share with you the City's reaction to a suggested modification (underlined text) to the Commission's pending rule amendment:

309.13. Temporary License to Conduct Racing.

* * *

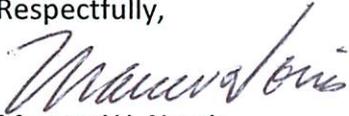
(d) Extension of Temporary License. Before the expiration of a temporary license, the Commission may grant an association a one – time two-year extension of the temporary license. To request an extension, the association must submit a request in writing that includes a detailed management and business plan describing the association's strategy for funding an completing construction of its permanent facility within the period of the extension. . Any such request filed prior to January 1, 2015, must be submitted no later than thirty (30) days before the expiration of the temporary license. Any such request filed on or after January 1, 2015, must be filed no later than one hundred eighty (180) days prior to the expiration of the temporary license. The timely filing of a request shall extend the temporary license until the Commission acts at a regularly scheduled meeting to be held within the following four months. If the Commission approves an extension of the temporary license, the association shall make a progress report to the Commission after one year of the extension.

* * * *

I am authorized to express to you that the two underlined changes, to the pending rule amendment at your agency, would address the concerns of the City as expressed in our letter of August 24. Were the Racing Commission to re-issue its proposed rule to include the modifications shown above, then this letter will stand to withdraw the comments and concerns of our August 24 letter.

If you need further from us, or we may be of further assistance to your agency, please do not hesitate to contact me.

Respectfully,



Marcus W. Norris

City Attorney

cc: Mr. Mark Fenner, General Counsel, Texas Racing Commission
Mr. Brian Newby (Cantey Hanger) , Counsel for Saddlebrook Downs
Hon. Paul Harpole, Mayor
Mr. Jarrett Atkinson, City Manager



July 28, 2014

Chuck Trout
Texas Racing Commission
P O Box 12080
Austin, TX 78711

Dear Mr. Trout,

The Texas Thoroughbred Association Board of Directors has reviewed the proposed TRC Rule 309.13, Temporary License to Conduct Racing, and has voted to support this rule.

We believe that its passage will be of assistance in growing purses and state-bred funds for all breeds of horses in Texas, and in encouraging the breeding, owning and training of racehorses in Texas. It will also provide much needed financial assistance for the operators of Saddle Brook so that a racetrack for live racing can be constructed in Amarillo, providing opportunities for live racing and promotion of the sport in a vastly underserved region of Texas.

Thank you,

Mary Ruyle
Executive Director

cc: Jeff Hooper



July 28, 2014

Chuck Trout
Texas Racing Commission
P.O. Box 12080
Austin, Texas 78711-2080

Dear Mr. Trout,

The Texas Quarter Horse Association supports proposed rule 309.13 and also supports placing this item on the August 12th agenda for adoption.

As proposed, rule 309.13 would allow current "Active/Other" designated racetracks to operate while funding purses for horsemen at other racetracks until they have completed their construction.

Thank you for your consideration.

Sincerely,

Rob Werstler
Director of Racing

EXHIBIT “B”

SADDLE BROOK PARK, LLC.

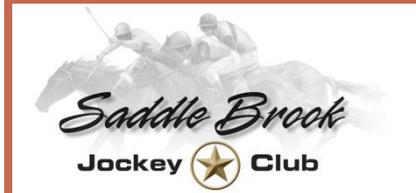
– APPLICATION –

TEXAS RACING COMMISSION

(AVAILABLE UPON REQUEST)

EXHIBIT “C”

SADDLE BROOK JOCKEY CLUB



Prepared for the
Texas Racing Commission
September 15, 2014



TEXAS RACETRACKS - LOCATIONS

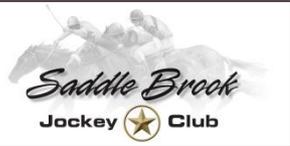


BENEFITS TO TEXAS AND THE HORSE INDUSTRY FROM SADDLE BROOK JOCKEY CLUB



Since opening for Simulcasting in December 2012,
Saddle Brook Jockey Club Has Generated:

- Over \$533,000 for the Horseman's Purse Account
- \$460,000 in Licensing Fees to the TRC
- Approximately \$83,000 in State Pari-Mutuel Tax Revenue
- Over \$75,000 for the Accredited Texas-Bred Programs for Quarter Horses, Thoroughbreds, Paint Horses and Arabian Horses
- Employment for Amarillo-area residents
- Sales Taxes, Payroll Taxes, related taxes, goods and services



WAGERING STATISTICS

2012 Net Handle

December	\$ 144,909
2012 TTL	\$ 144,909

2013 Net Handle

January	\$ 266,678
February	\$ 337,248
March	\$ 512,174
April	\$ 384,645
May	\$ 493,136
June	\$ 410,138
July	\$ 295,830
August	\$ 414,649
Jan - August	\$ 3,111,498

September	\$ 331,754
October	\$ 329,673
November	\$ 286,231
December	\$ 313,861
2013 TTL	\$ 4,376,019

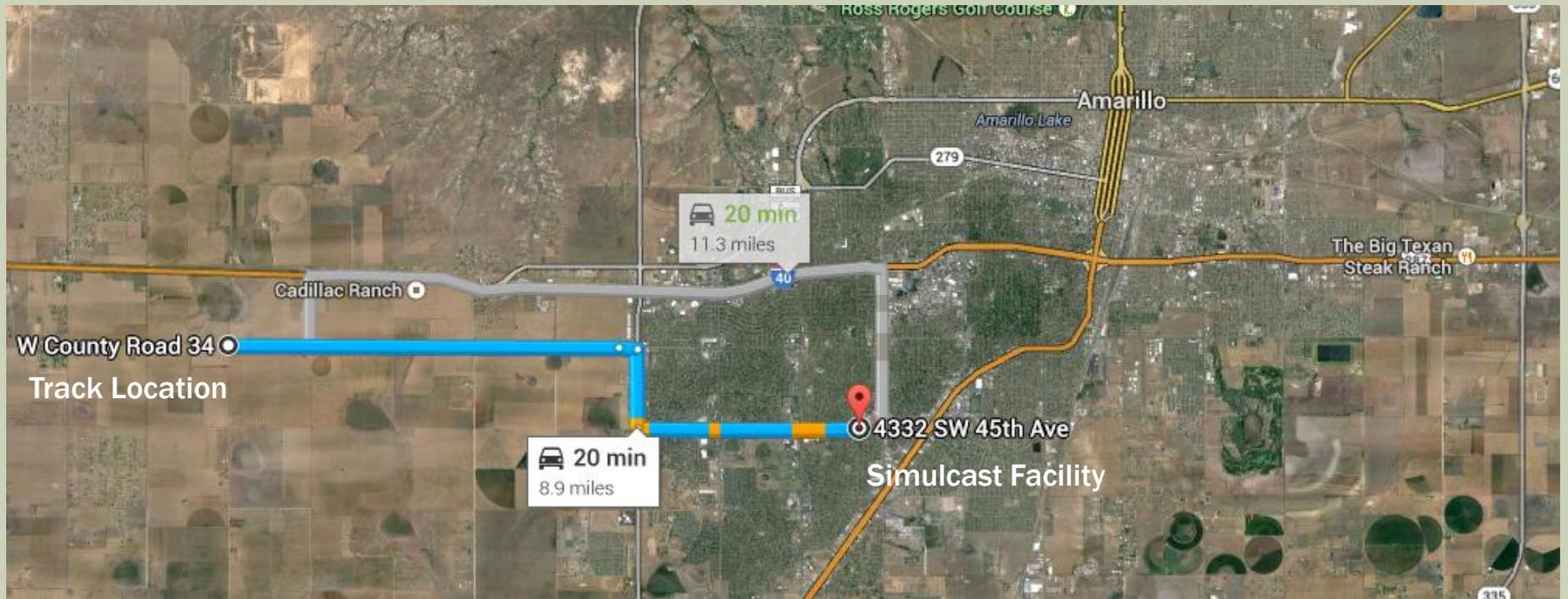
2014 Net Handle

January	\$ 386,876
February	\$ 396,538
March	\$ 485,311
April	\$ 435,262
May	\$ 636,055
June	\$ 426,390
July	\$ 388,377
August	\$ 472,613
Jan - August 2014	\$ 3,627,422

2014 is experiencing a 16.6 % increase over 2013

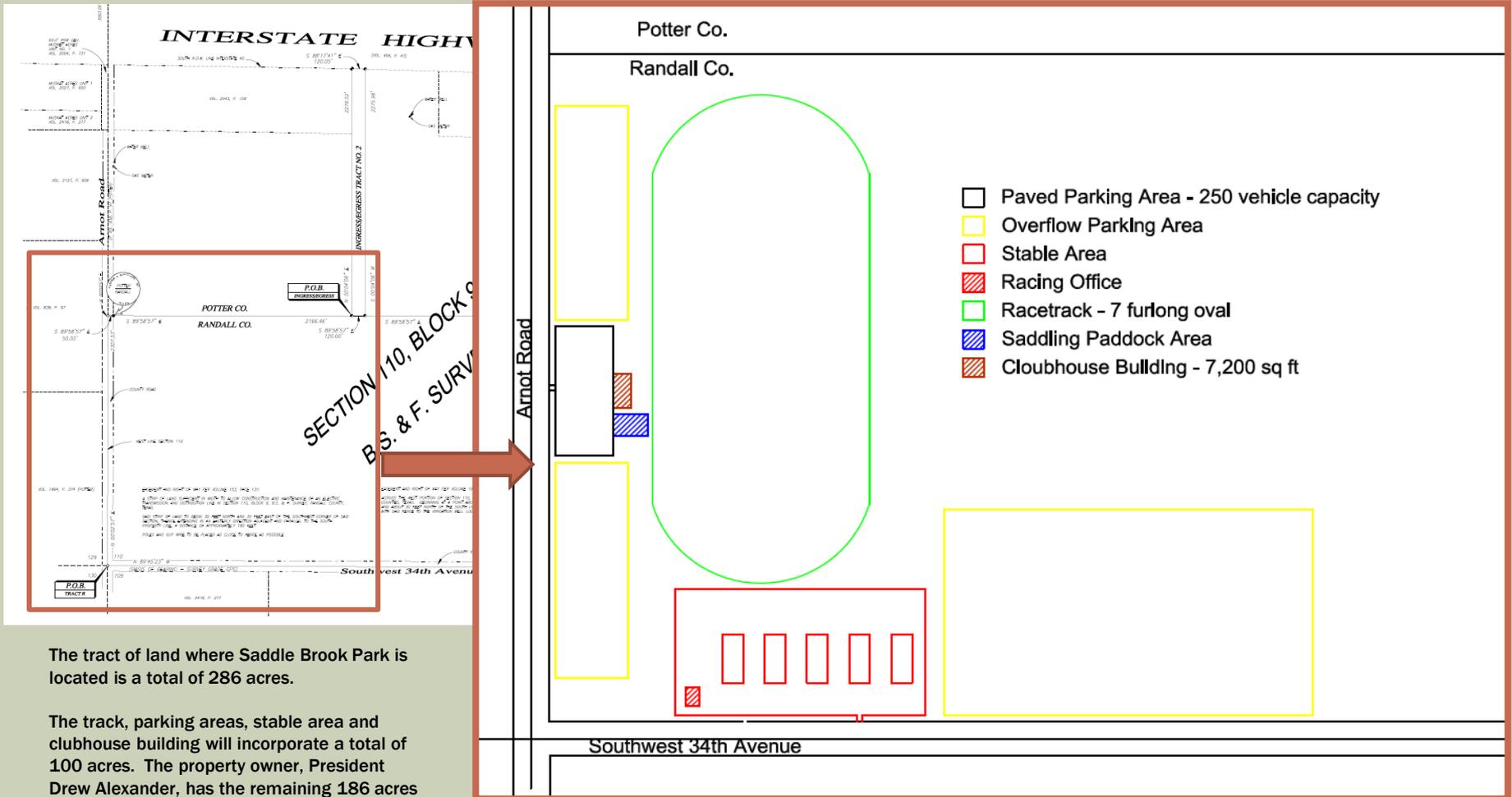


SADDLE BROOK FACILITY LOCATIONS





SITE PLAN



The tract of land where Saddle Brook Park is located is a total of 286 acres.

The track, parking areas, stable area and clubhouse building will incorporate a total of 100 acres. The property owner, President Drew Alexander, has the remaining 186 acres on the market for development compatible to the racetrack.



PROJECT – DETAILS

■ Track Description:

- 7 furlongs = 4,620 feet, Dirt Surface
- Track will be designed and constructed by Dennis Moore and Ron Moore (Santa Anita, Hollywood Park, Lone Star Park, Remington Park, etc.).





PROJECT - SITE PLAN

- Clubhouse – 7,200 sq. ft.

- Parking - paved parking for 250 and overflow parking for 1,000

- Stable Area:
 - 5 Total Barns: Double center aisle style, all weather
 - 200 horse stalls
 - 20 feed rooms, 20 tack rooms, 20 wash racks
 - Test Barn
 - Receiving Barn
 - Stable Gate Entrance
 - Stable area to be designed and constructed by Choice Barns/Sweetwater Barn Co. (Del Mar, Presque Isle Downs, Albuquerque State Fairgrounds).



RACETRACK PROJECT COST

Expenses

Utilities	\$250,000
Racetrack Surface/Rail	\$750,000
Stable Area	\$1,500,000
Anchor Building/Clubhouse	\$2,520,000
Furniture, Fixtures & Equipment	\$1,000,000
Parking Lot/Road Improvements	\$500,000
Contingency	\$1,000,000
TOTAL:	\$7,520,000



TIMELINE TO LIVE RACING

- **September 2014—September 2016:** Utilize simulcast activity to further educate and grow the market for pari-mutuel racing in Amarillo. Utilize growing revenue stream (see page 4) from simulcasting to prove viability of project to lenders and secure financing for construction of live racetrack. Utilize ongoing revenue stream from simulcast to help fund design and construction for live racetrack.
- **By October 2015:** goal to secure financing for construction of track
- **November 2015—February 2016:**
 - Finalize Site Plan and Design
 - Architectural Drawings
 - Permitting
- **Construction Benchmarks:**
 - March 2016—May 2016: Construction of all necessary utilities
 - March 2016—August 2016: Construction of Clubhouse, Paddock, Parking Lots
 - March 2016—August 2016: Construction of Stable Area (5 barns, 200 stalls)
 - May 2016—July 2016: Construction of track and safety rail
 - October 2016: Live Racing Begins at Saddle Brook Park



PROJECTED COSTS TO RELOCATE SIMULCAST ACTIVITIES

Project:	Saddle Brook Park - Amarillo	
Expenses		
Utilities	\$	250,000
Clubhouse/Simulcast Facility	\$	2,520,000
Furniture, Fixtures & Equipment ⁽⁴⁾	\$	500,000
Parking Lot/Road Improvements	\$	500,000
Contingency	\$	300,000
Total	\$	4,070,000



TEMPORARY LICENSES

- Texas Racing Commission not plowing new ground. Texas agencies have found it necessary to establish rules to issue and renew temporary licenses, without the need for separate legislation.

- Texas Medical Board – 22 TAC 183.4

- Texas Podiatric Medical Examiners – 22 TAC 371.25
 - Renewal Required Before Temporary License Expires

- Texas Professional Medical Physicists – 22 TAC 601.9



SADDLE BROOK JOCKEY CLUB CONTACT LIST

Lynn Alexander (859)241-2442

Corey Johnsen (469)964-0778

Brian Newby (817)877-2825

Jeff Hooper (817)992-0609

B. Request by Gulf Greyhound Park for
Approval of a Change in Ownership of 12%

MOLTZ | MORTON | GLENN
LLP

Janessa M. Glenn
(512) 439-2174
jglenn@MMandG.com

Travis Oaks Building
5113 Southwest Parkway, Suite 120
Austin, TX 78735
(512) 439-2170
Facsimile (512) 439-2165

September 30, 2014

Mr. Mark Fenner
General Counsel
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, TX 78754

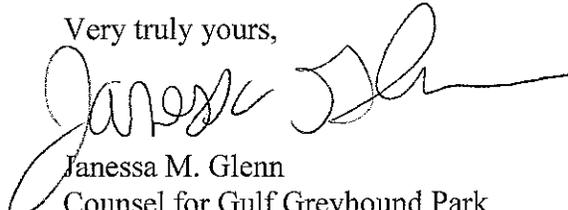
Re: Request for Approval of Ownership Change of License; Gulf Greyhound Park

Dear Mark:

We respectfully request that Scott M. Phelps and Mary Ann Phelps Request for Approval of Ownership Change of License for Gulf Greyhound Park be placed on the agenda for the October 14, 2014 Commissioners' Meeting of the Texas Racing Commission.

Please do not hesitate to contact me with any questions regarding this matter. Thank you for your help.

Very truly yours,



Janessa M. Glenn
Counsel for Gulf Greyhound Park

JMG/ktg



**TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699
Fax (512) 833-6907**

October 6, 2014

To: Chuck Trout
Executive Director

 From: Jim Blodgett
Director of Investigations

Re: Request by Gulf Greyhound Park for Approval of a Change in Ownership
of 12%

On August 14, 2014, the Commission received a request on behalf of Gulf Greyhound Park to approve the following change in ownership.

Sam Phelps, now deceased, owned 25% of the Green Group, Inc., which wholly owns Texas Pari-Mutuel Management, Inc. (TPM) TPM owns 48% of Gulf Greyhound Partners, Ltd., which is the license holder for Gulf Greyhound Park. As a result, Mr. Phelps' ownership in the license holder totaled 12%.

The requested changes will result in 9.24% of Gulf Greyhound Park's license being held by Scott Phelps in his individual capacity and 2.76% being held by the Sam and Mary Phelps Trust, of which Scott Phelps is the Trustee.

The Department of Public Safety has completed its background review of Scott Phelps and reported on September 30, 2014, that it had found no disqualifying information.

The procedural and background requirements of Commission Rule 309.151 having been met, I recommend that Gulf Greyhound Park's request be considered by the Commission for approval.